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## Reagan Speech on Caribbean: Personal Stamp Put on Policy

By Don Oberdorfer  
Washington Post Service

WASHINGTON — President Reagan's speech to the Organization of American States committed his administration and his personal prestige more clearly than ever before to the complex and controversial policy of anti-leftist activism in Central America.

Beyond the details of the long-promised Caribbean Basin economic support program, Mr. Reagan's address Wednesday was notable for his tough language in describing the security problems of the area and his avoidance of details or even strong clues about a future U.S. military response.

To justify the increased aid and economic concessions as well as the increased U.S. military support, Mr. Reagan described the U.S. "vital interest" in Central America as an area close at hand and as an artery for imported oil and other trade. It was unclear from the immediate reaction whether this appeal would override political resistance on Capitol Hill.

"Let our friends and our adversaries understand that we will do

whatever is prudent and necessary to ensure the peace and security of the Caribbean area," Mr. Reagan said in addressing future policy. He did not go beyond this general statement, despite expectations raised in a presidential news conference last week when he turned aside several pointed questions because of the forthcoming speech.

According to a senior official

involved in the preparation of the speech, the words "prudent and necessary" were chosen to convey that U.S. engagement would be "not open-ended but very firm."

Secretary of State Alexander M. Haig Jr. in testimony before the Senate Foreign Relations Committee Feb. 2, said the United States would do "whatever is necessary" to contain the guerrilla threat to El Salvador.

In a Dec. 4 policy statement to the OAS General Assembly in Saint Lucia, Mr. Haig said the United States would join others to do "whatever is prudent and nec-

essary to prevent any country in Central America from becoming the platform of terror and war in the region."

In keeping with a White House decision last year that personal involvement with the El Salvador problem could be politically damaging to the president, Mr. Reagan until Wednesday had little to say in public about the growing U.S. involvement in Central America.

Mr. Haig, Edwin Meese 3d, the presidential counselor, Defense Secretary Caspar W. Weinberger and other officials spoke out strongly while Mr. Reagan stood aloof.

The benchmark of presidential involvement in highly visible fashion came at a time of increasing domestic political controversy about the El Salvador-Nicaragua policy and a moment of uncertainty about what happens next in the region.

As the situation is described by officials, a great deal depends on whether unidentified guerrilla operations in El Salvador disrupt the March 28 national elections and on the relative fortunes of rightist and leftist elements in that balancing act.

Mr. Reagan's allegations against Nicaragua, which he described as "a platform for covert military action" for almost two years, appeared to set the stage for heightened tension with that country. Mr. Reagan did not address reports that he had authorized support and encouragement for undercover paramilitary operations against Nicaragua.

In a briefing for reporters on the Reagan speech, Assistant Secretary of State (Continued on Page 2, Col. 1)

## Caribbean Diplomats Wary of Reagan Plan

By Barbara Crossette  
New York Times Service

WASHINGTON — Caribbean governments cautiously welcomed the Reagan administration's commitment to the development of their region, but some diplomats expressed concern that the package of trade and aid would face serious problems in the U.S. Congress.

Several also questioned Wednesday whether the administration

Tass attacks President Reagan's Caribbean aid proposal. Page 2.

had adopted a formula with too rigid an emphasis on free enterprise for an area of mixed economies and serious development problems.

"With the president's financial package, it is clear the program is intended to promote and stimulate the private sector," Cedric Hilborn Grant, Guyana's ambassador to the United States, said in an interview after the president's speech to the Organization of American States Wednesday. "The extent to which he extolled Jamaica is evidence of that."

The speech was praised most warmly by Jamaica's prime minister, Edward P.G. Seaga, who called the president's proposals "bold, historic and far-reaching in concept." Charles A.T. Skeete, the Barbados ambassador, said: "We cannot accept the thesis that any one approach can solve all our problems. Development is a little more complex than that. We would love it if it were that simple."

Shared Assessment

The address was also welcomed by Jose Rafael Echeverria, Costa Rican ambassador in Washington, who said he had no problems with the president's concern about Communist-inspired subversion in the area. He said Costa Rica shared the Reagan administration's assessment of the problems of Central America.

The diplomats and officials interviewed all emphasized that their governments wanted to see more details of the president's economic

proposals. They said it was important for all three parts of the president's economic package — trade, investment and aid — to gain congressional approval.

Guyana's ambassador, Mr. Grant, said his government was also waiting to see how much of the promised aid would remain for the Caribbean area when the United States had fulfilled its commitments to Central America. But he hailed the initiative as "a genuine attempt to meet the problems of the area."

His caution was shared by the Haitian ambassador in Washington, Georges N. Legat. "On the positive side, this is certainly an invitation, a new approach," he said. "If it is implemented as described it will give each country the chance to have a custom-made assistance package. But we are not going to expect a miracle overnight."

Test of Credibility

Haiti, the ambassador said, has an opportunity to "test the credibility" of the Caribbean initiative without waiting for congressional action. He is about to resume discussions with the administration on trade agreements between the two countries, negotiations that were suspended while the new policy was being formulated.

Diplomats said they were told plainly in briefings here Tuesday and Wednesday that the administration would be looking for economic cooperation from countries seeking American help. Countries would be expected to remove trade barriers, provide tax incentives and generally show "responsiveness" in private investment.

"They are saying this thing is available to everyone," Mr. Grant, Guyana's envoy, said. "They say you are not being excluded — but you can conceivably exclude yourself."

Diplomats remarked that the president's speech appeared to have been broken into two parts: the economic package and the strategic assessment of the Caribbean-Central American region, with emphasis on the "dark shadow" of Cuba.



Chancellor Schmidt listened to President Mitterrand at a news conference Thursday in Paris.

## Schmidt, Mitterrand Plan Measures To Ease Impact of Interest Rates

By Axel Krause  
International Herald Tribune

PARIS — The leaders of France and West Germany said Thursday they were planning measures aimed at stimulating investments and modernizing their industries, in an attempt to cushion the impact of high U.S. interest rates.

But in an apparent attempt to smooth relations with Washington, the two leaders avoided renewing suggestions that the Reagan administration modify its restrictive monetary policy.

The government-backed measures, which are still in a preliminary phase, were discussed by Chancellor Helmut Schmidt of West Germany and President Francois Mitterrand of France at

the conclusion of a two-day summit meeting in Paris. They declined to provide details.

No other initiatives were disclosed after the meeting, which was viewed by participants as an attempt to display renewed French-German solidarity despite economic difficulties and diplomatic pressures that have been relations between the two countries since the Socialist victory in May.

In what officials said reflected new determination to cushion the effects of the high interest rates, the new economic measures will be aimed at stimulating investments and modernizing the innovative capacity of industries in France and West Germany, the declaration stated.

Mr. Mitterrand said that imple-

mentation of the plan would be discussed and completed within the next several weeks by French and West German officials and then would be submitted for consideration to other members of the European Economic Community.

"Our finding a solution to U.S. monetary policies is still not yet in a very pragmatic phase, but there is now firm agreement between Bonn and Paris to detach Europe from its effects," an authoritative West German source said.

A range of possible economic steps had been discussed during the meeting by finance ministers of both countries, including possible restriction of transatlantic capital flows, according to authoritative West German sources, but this last. (Continued on Page 2, Col. 5)

## Israelis Confine the Golan Druze To Villages on 11th Day of Strike

From Agency Dispatches

TEL AVIV — Israel's northern military commander confined the 11,000 Druze on the annexed Golan Heights to their villages Thursday on the 11th day of a general strike and closed their four towns to outsiders for security reasons.

Gen. Amir Drori forbade the Druze to travel from one village to another on the strategic plateau for security reasons, a military spokesman said. The order does not restrict movement inside the towns.

"The order in no way implies a curfew," the spokesman said. The Druze began a general strike Feb. 14 to protest the introduction of Israeli law on the Golan and Interior Ministry regulations ordering them to carry Israeli identity cards.

Traffic Barred

The military command said the villages of Majdal Shams, Masada, Buqata and Ein Qunya were closed to outside traffic "to ensure the security in the area" captured from Syria in the 1967 Mideast war.

The measure represented a toughening in the government's handling of the Druze, who have vowed to remain on strike until the annexation law is rescinded and their detained leaders are released.

The Druze members of an obscure Islamic sect went on strike after four local leaders, including a former member of the Syrian parliament, were arrested for allegedly calling on residents to resist Israeli rule.

Two other Golan Druze were detained Wednesday under administrative detention, a form of arrest without trial, for inciting the strike.

The newspaper Yedioth Ahronoth reported that telephone lines to the villages were cut to prevent contact between the Druze and leftist Arabs in Israel's northern Galilee area. It also said the national water company reduced supplies to Majdal Shams, the largest town.

In a meeting Wednesday between Druze representatives and an official of the Interior Ministry, soon after the strike began, Israeli law not be applied to their villages and that they be considered military-administered territory, the Jerusalem Post reported.

It quoted Israel Koenig, head of the ministry's northern district, as telling the Druze that while the government would not rescind Israeli law in the Golan, it would not compel them to become citizens or serve in the military.

Israeli Hints of Lebanon Strike

WASHINGTON (AP) — Israel's new ambassador to the United States hinted strongly Thursday that Israel may soon order a military strike into southern Lebanon if there is no abatement of the arms buildup there by Palestine Liberation Organization forces.

Moshe Arens said the danger to Israel is "growing day by day" and "you might almost say it's a matter of time" before his government feels compelled to take "some action" that would bring about casualties.

Mr. Arens stopped short of predicting a pre-emptive strike by Israel into Lebanon that could break the existing cease-fire, although he did not rule it out.

## Romania Fails On \$5.8-Million Debt to the U.S.

By Dan Morgan  
Washington Post Service

WASHINGTON — Romania has failed to pay the Commodity Credit Corp. \$5.8 million it owes for U.S. agricultural products, becoming the second Soviet bloc country after Poland to go into arrears on its debts to the U.S. government.

[The United States demanded Thursday that Romania immediately make the payment, the Associated Press reported from Washington. "We're asking them to bring their payments up to date immediately," said Dean Fischer, spokesman for the State Department.]

Officials at the corporation, the Agriculture Department's bank, said Wednesday that checks are to be sent this week to reimburse two New York banks handling the collection of money due from Romania on government commodity loans.

Under a routine financial procedure, First Chicago International and the European-American Bank transferred the funds to the Commodity Credit Corp. on dates the money was due. But when the banks were unable to collect from Romania's Bank for Foreign Trade, they notified the CCC and asked for their money back.

"It's pro forma. We are under a legal obligation to the banks," said Deputy Undersecretary of Agriculture Thomas A. Hammer. "I would imagine that the next step is for someone at the State Department to go talk to the Romanians."

The latest development in the financial crisis in Eastern Europe raises the prospect of a new political embarrassment for the Reagan administration, which is already facing criticism for allowing Poland's military regime to delay paying its debts.

Delays Opposed

Defense Secretary Caspar W. Weinberger and some congressional officials have argued that permitting such delays reduces pressure on the Soviet Union to cover the financial obligations of its satellites. But President Reagan has decided that Poland will not be allowed to go into default on the ground that it would remove the remaining U.S. political leverage on Warsaw's virtually bankrupt government.

Although Romania, like Poland, is a member of the Soviet-dominated Warsaw military pact, its foreign policy is considered the most independent in Eastern Europe, and the United States has supported its economic development. Nevertheless, the nonpayment of its debt could increase pressures inside the administration against any new U.S. financial help for Eastern Europe.

U.S. officials appeared surprised Wednesday by the development. Mr. Hammer said he was not aware of the development, which was detailed by Commodity Credit Corp. officials.

During Secretary of State Alexander M. Haig Jr.'s trip to Bucharest two weeks ago, Romanian officials reportedly sought promises of a new \$65-million Commodity Credit Corp. loan to buy corn and soybean meal, but Mr. Reagan rejected that request last week.

Romania owes the United States \$91.3 million this year under earlier loans for the purpose of buying commodities. Of that, \$41.5 million is owed directly to the Commodity Credit Corp., with the collection handled by private banks. The rest is owed to private banks but is guaranteed by the CCC.

The uncollected \$5.8 million is (Continued on Page 2, Col. 7)

## Party Debates Statement on Polish Crisis

Hard-Liners Pressing For Stronger Position

By Brian Mooney  
Reuters

WARSAW — The Communist Party's Central Committee, which has been urged repeatedly to toughen up its ideological commitments, worked on a resolution Thursday night expected to support the military crackdown in Poland.

The tone of speeches indicated that hard-line attitudes were emerging at the two-day meeting, the first to be held since martial law was imposed Dec. 13.

Official news organizations described debates that were lackluster in comparison to the often fiery discussions during the 16-month period of liberalization identified with the Solidarity trade union movement.

The debates Thursday included repeated calls for increased ideological indoctrination and a demand from a representative for the abolition of the independent free trade union.

Restrictions Continue

The military authorities suspended the union when they seized power in December, and there was no indication from the Central Committee that discussions were being held on easing any restrictions.

At the opening session of the Central Committee meeting Wednesday, the country's premier and party leader, Gen. Wojciech Jaruzelski, said martial law could not be eased as much as he hoped because of continued internal resistance and because of pressure created by Western sanctions.

Supporting the campaign by Communist hard-liners to dissolve Solidarity, the party newspaper Trybuna Ludu printed a letter from a worker demanding that the union's leaders be tried alongside the men of the era of a disgraced former party chief, Edward Gierk.

Official reports underlined the extent of the battle being waged against Solidarity activists and their sympathizers in the courts. The army daily Zolnierz Wolnosci reported that military prosecutors had challenged 118 sentences on the ground that they were too lenient. In 20 cases, the sentences were increased.

New Investigations

Thirty people had been tried and convicted by courts martial and another 61 investigations against 106 people were initiated last week, the army daily said.

In addition, about 300 people have been sentenced by civilian courts under summary procedures (Continued on Page 2, Col. 3)

## Israel Shows Off 'Progress of Peace'

Egyptian Reporters Taken on Tour to See Preparations for Return of Sinai

By William E. Farrell  
New York Times Service

SHARM EL SHEIKH, Israel-Occupied Sinai — The group of Israeli and Egyptian reporters stood quietly near the edge of a precipice overlooking the Red Sea and watched the last dazzling play of daylight as the sun set behind the granite mountains of the Sinai Desert.

It was the end of a long day in which Israeli Air Force officers and government officials had provided a tour for Cairo-based journalists, most of them Egyptians, of the last part of the vast peninsula that Israel is scheduled to return to Egypt by April 25.

The Israeli Air Force was the host of the one-day excursion a week ago and the intent was clear: The Israelis were eager to show the Cairo press that, despite rumors to the contrary, Israel was preparing to end the presence it has maintained in the Sinai since the 1967 war and was getting ready to leave in accordance with the terms of the Camp David peace treaty.

About 50 journalists left Cairo early in the morning on an Egyptian military plane that normally carries paratroopers and flew to Israel's Eilat Air Base in the northern Sinai, in an area called The Ghor.

They were met by air force officers, were served breakfast and heard a talk in English and Arabic by Col. Yehuda Porat. "It should be clear by this visit that the progress of peace is a very tangible one, a very real one," said the colonel, who lived in Cairo until he was 11 years old.

"Try to imagine four years ago such a visit in the newest air base of the Israeli Air Force," Col. Porat added. There were nods of agreement.

The Eilat installation will become an Egyptian civilian airport after April 25. Fijian and Colombian members of a multinational military force that will live in the complex will begin arriving near the end of March to ensure that the terms of the treaty are kept.

Americans at Work

The visitors were shown teams of American civilian technicians who are building houses and other facilities for the force. Col. Porat said most of the permanent structures at the Israeli base would go to the Egyptians on April 25 but that the prefabricated buildings and other easy-to-dismantle structures would be retained by the Israelis.

At one point, a jumble of people

at the site consisted of American construction workers, Israeli military men, Egyptian reporters, members of the foreign press corps based in Cairo, Israeli reporters and local Bedouin laborers.

The Egyptian military plane next flew to Israel's southern port of Eilat, where a road to the south built after the 1967 war runs for 150 miles through southern Sinai until it ends at the southern tip of Sharm el Sheikh.

The plane landed at Eilat's commercial airport and those on board were greeted by Israeli women in military uniforms who handed out carnations. For some of the Egyptian journalists, it was the first time they had set foot on Israeli soil.

The group boarded two buses for a quick tour of Eilat's tourist area, and an Israeli official delivered a glowing talk about the city's attractions. Southern Sinai begins a few miles south of Eilat, and it is there that the border between Egypt and Israel will be established by April 25.

At the border site, in addition to Egyptian and Israeli land, it is possible to look across the water at the Jordanian port city of Aqaba and, just south of Aqaba, the desert mountains of Saudi Arabia.

The visitors were taken to the three spots along the southern Sinai coast where Israel has established settlements and tourist attractions. The stops were at Nuweiba, where the tourist site has been closed and which is nearly empty now; Dahab, where the government-run hotel is due to close; and the Israeli who grow flowers for export are to leave, and finally, Sharm el Sheikh.

Insults Feared

The Israelis have a settlement at the southern tip of Sinai called Ophira, where there are still a few hundred people. The buses briefly toured the settlement but the visitors were not allowed to get out and talk to anyone. An Israeli official said that Ophira, like the northern Sinai settlement of Yamit, contained some settlers who might insult the visitors.

The Egyptian plane was waiting at the Sharm el Sheikh airstrip. It was dark, and the small airport lounge was filled with people from Cairo at the end of day trips.

"I hope," Col. Porat said, "that soon I can visit here and that may be one of you will guide me around." The group applauded and boarded for the flight to Cairo.



Israeli soldiers unload coils of barbed wire near Rafah in the occupied Gaza Strip for a fence that will run along the new frontier between Egypt and Israel after the Sinai is given back to Cairo.

### INSIDE

#### U.S. Deficits

The head of the Congressional Budget Office says that the United States faces budget deficits of more than \$100 billion a year "into the foreseeable future." Page 3.

#### French Business

The French government has mounted a campaign to attract investment from overseas. How the campaign is faring is among the articles in a special supplement on investment in France. Pages 75-123.

#### Cost of Living

U.S. inflation in January rose 3.5 percent on annual basis, its slowest rate since mid-1980, the U.S. Labor Department reported. Page 15.

#### TOMORROW

#### Just Browsing

A guide to English-language bookstores in Europe — one bibliophile's selection of names, addresses and phone numbers — appears in the Weekend section.

## In Ravaged Beirut, Hijackers Free 105

By Edward Cody  
Washington Post Service

BEIRUT — Sheikh Abdul Amir Qabalan, a Shiite Moslem leader wearing a white turban, black beard and gray robes, sat at the control tower microphone and spoke to the gunmen holding an airliner on the tarmac below.

"By everything that is holy to us, listen to my words," he exhorted them. "This is not a Libyan plane. It is a Kuwaiti plane. Oh, brother Hamza, this will not help the cause of the Imam Musa Sadr."

Cracking from the blue-and-white Kuwaiti airliner came the response from the man called Hamza, who with a dozen young comrades packing AK-47 assault rifles had hijacked the plane hours earlier. "It is not possible for us to come out of this plane... until the Imam Musa Sadr returns safe and sound."

By Thursday morning, however, Hamza and his fellow terrorists had left the plane. The 105 passengers and crew members had been released unharmed. Syrian tanks

ringing the airport had returned to their positions — and Lebanon's integrity had been bruised again in the name of another improbable cause from among the many here whose main expression is brutality.

This time it was a nine-hour hijacking by gunmen demanding the return of Imam Sadr, spiritual leader of Lebanon's 950,000 Shiite Moslems, who disappeared on a trip to Libya in 1978 and is widely believed to have been murdered by Libyan secret police.

On Tuesday, it was a pair of car bombs on a crowded seaside market street, that killed seven civilians and set fire to shanty-style shops thrown up by traders whose traditional marketplace was blasted apart long ago in Lebanon's civil war.

Overlapping both was a conflict in the northern city of Tripoli pitting street armies against the Syrian-financed and -armed Arab Democratic Party militia, backed by paratroopers from the 22,000-man Syrian force whose official mission is to police a cease-fire

that was supposed to have ended the war more than five years ago.

An American returning after an absence of 19 months to this world of violence, threats of violence and traces of violence finds the array of conflicts so varied as to seem madcap, and the lineup of causes so intractable as to seem hopeless.

But the deaths and the grief they cause are real. Although estimates vary, the most conservative say more than 50,000 people have died from acts of war and terrorism in Lebanon since the country flew apart in 1975.

The causes and the conflicts also are real, even though stained by quick resort to violence. This was brought home with rare clarity as Sheikh Qabalan and others in the control tower conversed through the night with Hamza and his band inside the Kuwait Airways Boeing 707.

Hamza complained that Lebanon had not done enough to press the search for Imam Sadr or pressure Libya's Moamer Qadhafi to

account for the disappearance. He insisted that the Lebanese state break relations and call a UN Security Council debate on the imam's fate.

"There is no Lebanese state," retorted Sheikh Qabalan. "If there was a Lebanese state, this thing would have been solved a long time ago."

After almost nine hours had gone by since Hamza and his comrades took over the plane, he began to relent. At 1 a.m. Thursday he allowed a Syrian security officer to come aboard, followed by a leader of the Shiite militia.

Half an hour later, most of the passengers descended. Six Libyan and two Lebanese passengers were kept as hostages as Hamza and his team drove off with the Syrian officer to a Syrian Army position. By 5 a.m. the eight had been released. Authorities refused to divulge the fate of Hamza and his comrades.

A Lebanese official said this was Hamza's seventh hijacking or attempted hijacking in the name of the missing imam.



Capt. L.J. Bradley of the hijacked Kuwaiti jetliner in Beirut.

## EEC Asks \$420-Million Cut in Soviet Imports

The Associated Press

BRUSSELS — The EEC Commission proposed Thursday a cut of about \$420 million in Soviet imports as part of the Common Market's response to martial law in Poland.

Greece opposed the proposal. The commission asked member governments to make the cuts by imposing or raising quotas on products selected from a list drawn up by the commission.

The list was not made public in an effort to avoid speculative trading before member governments make final decisions. But a commission spokesman said the products include tools, machinery and fabrics — not just the luxury items like caviar, furs and diamonds that most Common Market governments have been mentioning as possible sanction targets.

The spokesman said the value of imports on the list totaled \$340 million in 1980. Under the commission proposal this would be cut in half. If approved, overall Soviet imports to the 10 countries of the European Economic Community would be cut by 4 percent.

"The figures in themselves are not the most important aspect," said Louis Kawan, the commission official in charge of trade with the Soviet Union and its allies.

import restrictions to show their displeasure over what they view as Soviet instigation of the Dec. 13 martial-law crackdown in Poland.

Earlier in the week, a 50-percent cut in selected goods was viewed as the strongest response possible.

Greece, which has rejected the use of economic sanctions as a response to the crackdown in Poland, voted against the proposal.

Normally, Common Market decisions must be unanimous. But under a rarely invoked rule, a majority vote can be sufficient as long as the commission takes steps to make sure the opposing country — in this case Greece — is not affected.

While it voted for the sanctions,

Denmark said it philosophically opposes any decision-making that is not unanimous. A commission spokesman said the Danish reservation may be lifted.

**Russia Develops Gas Pumps**

BONN (Reuters) — The Soviet Union, seeking to overcome U.S. trade sanctions over Poland, has successfully tested its own pumping equipment for a planned gas pipeline linking Siberia and Western Europe, the Soviet news agency Novosti said Thursday.

A Novosti report distributed in West Germany said the new Soviet pumping system, comprising a gas turbine and a two-stage rotary compressor, had a 25-megawatt capacity, matching that of the best equipment produced in the West.

Under sanctions announced in December, the United States barred exports of rotor blades and other turbine components that would have been supplied by General Electric to AEG-Telefunken, a West German firm.

AEG has contracted to build 47 gas turbines for the multibillion-dollar pipeline, which is due to begin operations in 1984. The company eventually is expected to supply West Germany and other Western European countries with 40 billion cubic meters of gas a year.

The Novosti report said Soviet engineers had been working on the project for three years.

continued to be threatened by anti-Communist forces.

Mieczyslaw Rakowski, a deputy prime minister who has emerged as a key civilian politician since the military takeover, supported Gen. Jaruzelski's contention that the national accord was still possible. He dissociated himself from hardliners by defending what he called the government's "line of national agreement" during the Solidarity period.

**Washington Responds**

WASHINGTON (UPI) — The State Department said Thursday that the Polish leadership's attempt to blame the United States for the indefinite continuation of martial law was "absurd."

A statement issued Thursday said: "Despite the promise he made in his Christmas Eve speech, Premier Jaruzelski's remarks indicate that he has still not come up with a meaningful plan for restoring Poland's political and economic stability. His only apparent plan for the future is to continue martial law."

turning point.

Mr. Kawan said the "proposal to cut trade with the Soviet Union, not expand it," was a turning point.

Common Market foreign ministers voted Tuesday to impose the

## Party Debates Statement on Polish Crisis

(Continued from Page 1)

for politically related offenses such as organizing strikes, publishing illegal leaflets and carrying on union activity, according to the official press agency PAP.

An official of the International Red Cross said at a press conference that as of 10 days ago the authorities were holding 4,140 internees after releasing 2,520.

Under martial law provisions, Poles can be held indefinitely without trial in internment camps. Church and other sources have complained of bad conditions in some detention centers, but Red Cross officials refused to comment.

Roman Catholic bishops held a

meeting Thursday and church officials said they would issue a statement on the situation Saturday. It would be the first major church pronouncement since the prime, Archbishop Jozef Glemp, returned from talks in Rome with Pope John Paul II.

**Hopes for Unity**

At the Central Committee meeting, speakers talked of a need to restore the unity of the party, which was badly shattered by the 1980 worker revolt.

There were also echoes of the anti-American speech with which Gen. Jaruzelski opened the meeting Wednesday, accusing the Reagan administration of attempting to destabilize the situation.

Mieczyslaw Wojcik, a party leader in the northern town of Slupsk, said "firebrand propaganda" had influenced Polish public opinion, and he called for a program to immunize the party and society against it.

Another speaker said calls for a speedy end to martial law were too optimistic, arguing that Poland

continued to be threatened by anti-Communist forces.

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## A Reagan Stamp on U.S. Role

(Continued from Page 1)

tary of State Thomas O. Enders said that the flow of arms from Nicaragua to El Salvador had "increased enormously" to levels that were "by far the highest that have been known."

Even though the guerrilla offensive of January, 1981.

**No Evidence Given**

Mr. Enders' statement went beyond previous U.S. estimates of recent weapons shipments and was said by officials to be based on new intelligence. In the face of continuing denials by the Nicaraguan government and questions from reporters, however, other

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President Reagan holds an old Voice of America microphone given to him during a visit to the studio in Washington to celebrate the radio's 40th anniversary of broadcasting.

## Citing His Sportscasting Career, Reagan Defends Improvisations

WASHINGTON — President Reagan, whose skills of communication are widely heralded, has said he learned during an earlier career about the importance of "attractively packaging" the truth.

The president recalled Wednesday for an amused audience during a 40th-birthday celebration at the Voice of America how he often improvised the facts while re-creating baseball games as a radio announcer.

"But the truth got there and, in other words, it can be attractively packaged," he said. Mr. Reagan has often recounted his verbal dexterity as a play-by-play sportscaster — making up much of the action as he sat in a studio far from the stadium — but rarely has he been concluded with the point that embellishing the truth does not really compromise it.

"I haven't heard that twist before," said an administration spokesman, who was among the audience of about 500.

The president's comments, made at a time when he is being increasingly criticized for occasionally misstating facts, particularly during news conferences, were inserted into a brief speech whose basic theme was the importance of truth.

**Mackinlay's LEGACY SCOTCH WHISKY**

12 YEARS OLD

But their name to it.

## Tass Says Reagan Plan Would Aid Repression

By Dusko Doder  
Washington Post Service

MOSCOW — Tass Thursday night denounced President Reagan's military and financial aid package for Caribbean nations as an attempt to shore up "blood-stained repressive regimes" trying to strangle the desire of the region's people for freedom and democracy.

In a quick response to Mr. Reagan's plan announced Wednesday, Tass said the United States is planning to "destabilize" the "progressive" regimes in Cuba, Nicaragua and Grenada while simultaneously providing support for "repressive" regimes in El Salvador, Guatemala and Haiti.

The Defense Ministry newspaper Krasnaya Zvezda described Mr. Reagan's plan as "preparations for a major military adventure" and raised the possibility that the presence of U.S. naval vessels in the region may be the prelude to a Gulf of Tonkin-type incident that would lead to the sanctioning of some form of U.S. military intervention.

Soviet commentators, however, referred only in passing to the planned maneuvers off the Cuban coast of U.S. and other NATO naval forces later this month. These maneuvers were described as an attempt to "blackmail" the "independent states" in the region.

Tass ridiculed Mr. Reagan's assertions that Soviet and Cuban weapons were being channeled to leftist guerrillas in El Salvador. It said Mr. Reagan's plan was designed to use that as a pretext to "strangle the mounting national liberation movement of the people and to perpetuate U.S. neo-colonial domination."

**U.S. Accuses Nicaragua**

WASHINGTON (UPI) — The State Department accused Nicaragua Thursday of mounting "massive assaults" and "barbaric attacks" against the country's Indians.

"Nicaragua has been transformed into a repressive, threatening Marxist-Leninist oligarchy and a base for violent attacks upon other states in Central America," Elliott Abrams, an assistant secretary of state, told the Senate Foreign Relations Committee.

Mr. Abrams, who heads the Human Rights Bureau, expanded on charges that President Reagan made against Nicaragua's leftist leaders Wednesday in his speech outlining an aid plan for the Caribbean area and Central America.

"A clear indication of the society they seek is their treatment of the Miskito, Sumo and Rama Indians — left uneducated by Somoza — oow subject to massive assaults by the Sandinistas," Mr. Abrams said. Anastasio Somoza was deposed by the Sandinistas, who now rule in Nicaragua.

"While all of the Sandinistas' repressive actions are of deep concern to us, by far the most disturbing are its barbaric attacks upon the Miskito, Sumo and Rama Indians," he said.

## Australia Decides to Buy British Aircraft Carrier

(Continued from Page 1)

CANBERRA — The Australian government decided Thursday to purchase the British aircraft carrier Invincible to replace the Australian flagship Melbourne, Defense Minister Jim Killen announced.

The 19,500-ton Invincible was built for £175 million (\$320 million) 18 months ago. Australian Labor opposition leader Bill Hayden described the ship as a "white elephant," saying that Australia did not need an aircraft carrier for its defense.

## Bonn, Paris Discuss Economy

(Continued from Page 1)

ter option was apparently abandoned.

In the declaration, the leaders emphasized their commitment to expanding cooperation in political, security and industrial spheres.

Asked if the talks had marked a turning point in French-German relations, Mr. Mitterrand said "there has been a deepening, we have gone further."

The two leaders used tough language publicly aligning themselves on a common position — in condemning what they termed "repressive" measures taken in Poland "under the pressure from and with the assistance of the Soviet Union."

The alignment followed earlier differences in their reaction to events in Poland. The leaders, in their eighth meeting since Mr. Mitterrand's victory, called for Hungary, East-West efforts to control and reduce the arms buildup.

Regarding strained transatlantic relations, the two leaders said they considered it vital that solidarity be tightened between the United States and other members of the Atlantic Alliance, including through consultations.

Answering questions at a news conference at the Elysee Palace, Mr. Mitterrand said it would be incorrect to talk of fundamentally strained relations in the alliance stemming from U.S. monetary policy.

"The fundamentals of our relations, their permanence, their solidarity are not in question.... We need to talk to be able to improve the climate at a time when it has a tendency to deteriorate," the French leader said.

Mr. Mitterrand, asked about

President Reagan's new economic and military aid plan for the Caribbean, noted continuing differences between France and the United States regarding events in Central America. French policy was aimed at helping oppressed peoples "avoid the solution of despair," he said.

But commenting specifically on the economic part of the U.S. program, he said: "It isn't exactly the way that France would have undertaken it, but (the Americans) are going in the right direction."

The two leaders avoided public discussion of relations with Britain over the tense EEC farm and budgetary issues besetting the community. Authoritative West German sources said that a key phrase in the declaration meant that Bonn and Paris expected the Thatcher government to be cooperative, but the two leaders apparently wanted to avoid creating the impression they were pressuring London.

As part of an effort to enhance Western Europe's weight in the world, the declaration stated, "the community must without delay resolve the difficulties which are currently hampering its work and development in a spirit of solidarity that transcends the interests of each of its member states."

## Industrial Protests Spread in Belgium

BRUSSELS — Industrial unrest spread on Thursday in Belgium's depressed south as workers in Charleroi staged a 24-hour strike against a government-ordered wage freeze and other austerity measures. The protest halted work in the city's huge steel and electrical industries.

The Liege plants of ailing steel giant Cockerill-Sambre also were closed as thousands of workers continued a protest over job losses and a European Economic Community plan to restructure the industry. Newspapers have said the plan could mean the loss of another 3,500 jobs in Belgium.

A delegation from unions representing Liege's 14,000 steelworkers is to visit the EEC Commission Friday to discuss the rescue plan with industry commissioner Edouard Davignon and with the Belgian economic affairs minister, Mark Eykens. The unions will then decide whether to recommend a return to work.

## WORLD NEWS BRIEFS

### Judge Orders March 9 Hinckley Trial

WASHINGTON — A federal judge on Thursday ordered John W. Hinckley Jr., accused of shooting President Reagan last March 30, to stand trial beginning March 9. Government attorneys said, however, that they were considering proceedings that could delay the trial.

Mr. Hinckley is charged in a 13-count indictment with attempting to kill the president. Press Secretary James S. Brady and two other men were also wounded in the attack. "The defendant... has been examined and re-examined by every expert in the field of psychiatry and psychology available," U.S. District Judge Barrington D. Parker said in ordering the trial.

### Fugitive Arms Dealer Held in Spain

NEW YORK — International arms dealer George G. Korkala, one of the most wanted men in the United States, was arrested Thursday in Madrid while attending an exhibition of electronic security devices, the Manhattan District Attorney's Office said.

Mr. Korkala, 41, fled the United States last year with his partner, former CIA agent Frank Terpil, to avoid trial on charges of attempting to sell 10,000 machine guns to undercover agents posing as Latin American revolutionaries. Mr. Korkala and Mr. Terpil, 42, were sentenced in absentia to prison terms for selling the British-made machine guns. Mr. Terpil is also wanted in the United States on charges of running a guerrilla training school in Libya and shipping explosives devices there.

### Party Challenge to Haughey Dies

DUBLIN — A challenge to the party leadership of Charles J. Haughey failed Thursday and he won unanimous endorsement from Fianna Fail as its nominee to be Ireland's premier.

The challenge was organized by Desmond O'Malley, a minister in previous Fianna Fail governments. Mr. O'Malley was unhappy because the party, under Mr. Haughey's leadership, had failed to win a clear majority in two consecutive elections. But at the last moment Mr. O'Malley refused to allow his name to be placed in nomination.

In elections last week, Fianna Fail won 81 seats in the 166-seat parliament. Premier Garret FitzGerald's Fine Gael-Labor coalition won 78.

### Spanish Communists Dispute Report

MADRID — The Spanish Communist Party asked Thursday for an investigation into the government's intelligence agency after a report introduced at the trial of 32 rightist military men accused of an attempted coup said the party was prepared to attack army headquarters if the putsch had succeeded.

The party denounced the report as false and said it was intended to damage "democratic political parties" as well as King Juan Carlos.

A statement read by the party's general secretary, Santiago Carrillo, termed the introduction of the report a maneuver "to convert the trial of the military men into an indictment of democracy." He said "it imputes to our party something radical and absolute false." The trial of 32 officers, including three generals, and one civilian was recessed until Friday.

### Atlanta Murder Trial Nears End

ATLANTA — The prosecution and the defense ended their cases Wednesday after Wayne B. Williams' mother told the court that her family has been ruined, but the prosecution had not produced any evidence that her 28-year-old son was a killer.

The end came less than an hour into the 35th day of testimony in Mr. Williams' trial for the murder of Nathaniel Cater, 27, and Jimmy Ray Payne, 21, two of the 28 young blacks abducted and murdered in Atlanta over a 22-month span.

Mrs. Payne Williams, 64, the defense's final rebuttal witness, left the stand at 9:55 a.m. and the defense rested. Superior Court Judge Clarence Cooper set final arguments in the case for Friday.

### U.S. Dismisses Soviet Talks Offer

WASHINGTON — The State Department said Thursday a proposal by Soviet President Leonid I. Brezhnev for nuclear arms talks amounted to propaganda. "We don't see anything new," spokesman Dean Fischer said. "It appears to be a compendium of standard Soviet positions."

Mr. Brezhnev called Wednesday for major reductions in nuclear arms by both the Soviet Union and the United States. "Soviet claims of interest in arms reductions will be seen in negotiations and not in propaganda statements," Mr. Fischer said.

## Britain Approves Increase In Transatlantic Air Fares

LONDON — Britain's Civil Aviation Authority has approved increases in transatlantic air fares of from 15 to 20 percent effective Monday, it was disclosed Thursday.

A CAA spokesman said an additional increase averaging 8 percent would take effect May 1. Starting

## Romanians Fail on Debt

(Continued from Page 1)

owed directly to the Community Credit Corp. On Jan. 30, First Chicago International notified the CCC that it could not collect \$319,128.65. On Tuesday, European-American Bank advised the agency that Romania had not paid \$3,465,259.54 due in December and January.

In November, The International Monetary Fund suspended Romania's right to draw new credits and reportedly is insisting on substantial reforms in Romania's rigid, Soviet-style economy as a condition for continued financing.

**Banks Open Talks**

FRANKFURT (UPI) — Talks began Thursday between eight Western banks and representatives from Romania on a debt of about \$1 billion for 1981 that the country is unable to pay.

Romania, with an estimated total debt of \$10 billion to \$14 billion, was reported to be hoping for an arrangement to reschedule the \$1 billion. After Poland, Romania owes Western banks more money than any other East bloc country.

## Kenya's President Shifts Officials

NAIROBI — President Daniel Arap Moi ordered changes in his government Thursday that effected Cabinet ministers, deputy ministers and permanent secretaries in many ministries. Although many ministers were moved around in the Cabinet, no one was dropped.

The changes meant a loss of power for some of the country's most powerful figures. Vice President Mwai Kibaki lost the finance portfolio to Arthur Magu, who had been health minister, but Mr. Kibaki was given the home affairs portfolio.

The Home Affairs Ministry had been headed by Charles Njonjo, who remained in the Cabinet as constitutional affairs minister.

## Begin Says Schmidt Should Ask Jewish People for 'Forgiveness'

JERUSALEM — In the revival of a nine-month-old feud with West German Chancellor Helmut Schmidt, Israeli Prime Minister Menachem Begin said Thursday that Mr. Schmidt should "go down on his knees and ask the forgiveness of the Jewish people" for the Nazi extermination of Jews during World War II.

Reacting to a report in the newspaper Yedioth Aharnoth that quoted the chancellor as saying he would not visit Israel until Mr. Begin apologized for remarks in the same vein that he made last May, Mr. Begin repeated his earlier accusation that throughout the war Mr. Schmidt had remained faithful to his oath of allegiance to Hitler.

[West Germany denied Thursday that Mr. Schmidt ever demanded an apology from Mr. Begin. United Press International reported from Bonn, Government spokesman Kurt Becker called the report pure fantasy, UPI said.]

In a statement issued by his office, Mr. Begin said Mr. Schmidt was the leader of a nation "which bears the historic responsibility for the extermination of 6 million Jews, amongst them 1½ million little children."

## Watt Accused of a Misuse Of Funds for 2 Receptions

WASHINGTON — Government auditors have reported that the interior secretary, James G. Watt, improperly used about \$4,300 in government funds to throw two Christmas receptions at the historic home of Gen. Robert E. Lee, the commander of the Confederate armies in the Civil War.

However, Mr. Watt and members of his staff apparently are going to resist paying the bill because they believe that, as he put it Wednesday, "we did it the same way everybody else does it."

"What would make it illegal for us would have made it illegal for previous administrations," Mr. Watt said Wednesday. He added that although he did not know the details of the legal opinion, "I just know it was a great party."

Douglas Baldwin, Mr. Watt's chief spokesman, disputed the General Accounting Office finding that the money was used improperly.

### Legality of Events

"The department carefully researched the procedures, propriety and legality of the Lee Mansion events before they occurred," Mr. Baldwin said. "We are convinced that everything about them was handled correctly. If

the GAO has come to any other conclusion, the GAO is in error."

The opinion from the GAO said that Mr. Watt was not authorized to use operating or donated funds to pay for a breakfast Dec. 14 of Cabinet wives hosted by Mr. Watt's wife, Leilani, or a cocktail party Dec. 17 for about 200 people, including high-ranking officials.

The cocktail party, which the GAO said could be paid for with the remaining \$4,500 in Mr. Watt's official reception fund, cost \$6,921, according to the report. The breakfast cost \$1,921, including \$48 for placards telling the public that the mansion, called the Arlington House or the Custis-Lee Mansion, was closed to the public during the event.

The mansion, once owned by Martha Washington's family, is a porticoed, antebellum house that overlooks Arlington National Cemetery. It has been designated an historic site and is a popular tourist attraction.

However, the GAO rejected a Department of Interior argument that funds donated to it could be used to pay for the event because the visits of the guests "were designed to acquaint them with the historic significance of the house."

The GAO said that the breakfast and the remaining cost for the cocktail party, after the \$4,500 from the official reception fund is expended, "must be paid for by the Interior



Interior Secretary James G. Watt

officials who authorized the expenditures."

Mr. Watt said he had no plans to appear Friday at a hearing on the issue before a House Interior subcommittee. Subcommittee aides said they had been told that Mr. Watt saw the House session as a "publicity stunt" by Democrats on the panel.

## Watts Voted In Contempt By Committee

### Secretary Withholding Subpoenaed Documents

WASHINGTON — The House Energy and Commerce Committee voted Thursday to cite Interior Secretary James G. Watt for contempt of Congress for his failure to produce subpoenaed documents.

The 23-19 vote sends the issue to the full House. If he is held in contempt by a vote there, he would be subject to criminal prosecution in the U.S. District Court in Washington.

The dispute involves 11 executive branch documents dealing with Canadian energy and investment policy. The subcommittee was investigating whether Canadian policies discriminate against U.S. investors and merit retaliation.

Mr. Watt has turned over 20 of the 31 documents originally subpoenaed by the panel, but he withheld the remainder on orders from President Reagan.

The administration maintains the documents deal with high-level consultations on foreign affairs and are protected by executive privilege.

The committee says the claim is spurious. It notes that one of the 20 surrendered documents, which earlier also had been covered by the executive privilege claim, was prepared by a summer intern for a mid-level bureaucrat.

"If documents of this kind can be withheld on the basis of executive privilege, then virtually every document within the entire executive branch of government can be secreted away," the committee said in a memorandum for its members.

"Moreover, while the remaining 11 appear to be higher level in nature, none of them were prepared for the president or directed to him," the committee said.

A contempt citation by the full committee would carry the issue to the full House, and a vote there against Mr. Watt would lead to criminal proceedings. Contempt of Congress is a misdemeanor, punishable by up to a \$1,000 fine and up to a year in jail.

On Monday, Mr. Watt said his possible contempt citation would be "an ideal case" for the Supreme Court — and a conviction must exist before an appeal can be made.

The vote in the House was generally along party lines. Twenty-two Democrats and a Republican voted to cite Mr. Watt for contempt; 17 Republicans and two Democrats voted against.

The chairman of the committee, Rep. John D. Dingell, Democrat of Michigan, said the issue was not partisan. It involved, he said, an improper claim of executive privilege by President Reagan.

## Congress Aide Sees Higher Deficits 4-Year Projection Is Far Grimmer Than Reagan's Totals

WASHINGTON — The head of the Congressional Budget Office told the Congress Thursday that the nation faces budget deficits of more than \$100 billion a year "into the foreseeable future," even if President Reagan's embattled budget proposal is passed essentially intact.

Appearing before the Senate Appropriations Committee, Alice M. Rivlin, the budget office director, forecast deficits of \$111 billion this fiscal year, \$121 billion in 1983, \$129 billion in 1984, and \$140 billion in 1985 — all well above the president's estimates.

She said the budget deficits could be even larger "if tight credit conditions produce a weaker economy" and she called the budget outlook "very grim."

In contrast, Mr. Reagan's budget predicts a pattern of declining deficits: \$98.6 billion this year, \$91.5 billion in 1983, \$82.9 billion in 1984 and \$71.9 billion in 1985.

Ms. Rivlin said her estimates assume that Congress will grant Mr. Reagan's request for billions of dollars in spending cuts and other deficit-shrinking measures. Even so, she said, government revenues "are likely to be slightly lower than

projected by the administration and outlays significantly higher."

She said the problem is not the result of the current recession and warned that large deficits could "seriously impair the overall performance of the economy over the longer run."

The budget office estimates deficits for 1983 through 1985 at about \$390 billion, compared with the administration estimate of about \$246 billion.

Mrs. Rivlin said that about \$100 billion of the discrepancy is the result of differing estimates on the impact of government programs — chiefly military spending, farm price supports and receipts from offshore oil leases.

Another \$44 billion results from less optimistic assumptions about the performance of the economy, she said. The budget office forecasts less economic growth, higher inflation, higher unemployment and higher interest rates beginning in 1983 than does the administration.

The Reagan administration, meanwhile, has been sounding out Congress on its own ideas for reducing the deficits in the president's 1983 budget plan.

On Tuesday, Republican Sen.

Pete V. Domenici of New Mexico, chairman of the Senate Budget Committee, offered a plan to trim the deficits by cutting the proposed increase in military spending, boosting some taxes and possibly postponing the last year of the three-year cut in personal income tax rates. Congress adopted the tax cut last year.

Larry Speakes, the deputy presidential press secretary, said that Sen. Domenici's proposal was being circulated in the White House, where its figures were being checked.

Mr. Speakes said it was "too early to tell" whether the plan could lead to a bipartisan compromise, such as that drafted with administration assistance last year.

Treasury Secretary Donald T. Regan, appearing before the Senate Budget Committee Wednesday, said he found Sen. Domenici's alternative a "reasonable proposal."

"I find it very interesting. I don't reject it out of hand," the secretary said to Sen. Domenici.

But he did reject a separate proposal by Sen. Baker for an income tax surtax of up to 10 percent to reduce the budget deficit.

## Drug Use Found to Drop Among U.S. Youth

By Robert Reinhold

WASHINGTON — Abuse of illicit drugs by American high school students has dropped sharply since it reached peak levels in the late 1970s, according to a federally sponsored study.

The study was released Wednesday and involved 17,000 high school seniors all over the country. It strongly suggests that the reason for the trend is that young people are beginning to take seriously warnings that drug abuse poses significant health and psychological hazards.

Probably the most dramatic finding is a substantial decline in the number of students who say they regularly smoke marijuana — by far the most widely used illicit substance — on a daily basis. Whereas one in every nine high school seniors said they were daily users in 1978, the proportion had dropped to one in 14 by last spring, and the trend shows signs of accelerating.

The study found that use of every major class of illicit drugs — as well as alcohol and cigarettes —

had either declined or remained stable in the last year. The only significant exception was stimulants, such as amphetamines, with more than a fourth saying they had tried them during the previous 12 months, a 25 percent increase over 1980.

### Other Declines

Declines were found in use of tranquilizers, hallucinogens — particularly PCP, widely known as angel dust — and in amyl and butyl nitrites, liquid inhalants known on the street as "poppers" that are sold legally. Barbiturates, LSD, heroin and methaqualone, better known as Quaaludes, showed no significant change. Cocaine use remained about stable, with 16.5 percent saying they had tried it during the year.

Moreover, even those who continued to use drugs reported that they now tended to consume smaller amounts and to stay high for shorter periods of time.

Despite what they called "these tangible improvements," the authors of the study — Lloyd Johnston, Gerald Bachman and Patrick O'Malley of the University of

Michigan — said that drug abuse among American youth remained high. They conservatively calculated that two-thirds of the class of 1981 had tried at least one illicit drug during the year.

"We judge these still to be very high levels both in absolute terms and relative to other countries," their report stated. "In fact, they are still probably the highest levels of drug abuse among young people to be found in any industrialized nation in the world. Thus, while some improvements are definitely beginning to emerge, the problems of drug use and abuse are still a very long way from being solved."

### Special Dispensation

The survey, performed in 130 public and private schools selected to provide a national cross section of seniors, has been conducted since 1975 by the Institute for Social Research at the University of Michigan under contract to the National Institute on Drug Abuse.

Taken under a special dispensation from the Justice Department that permits U.S. state or local police authorities to obtain person-

al information on the students from the researchers, the survey is widely considered one of the most reliable indicators of drug abuse trends, which are hard to measure.

The results were cited Wednesday by Dr. William E. Meyer, administrator of the Alcohol, Drug Abuse and Mental Health Administration, which includes NIDA, as evidence that the government's prevention efforts were bearing fruit. He testified before the Senate Labor and Human Resources subcommittee on Alcoholism and Drug Abuse.

The survey first began to detect a trend toward moderation in 1980, reported last year. Mr. Johnston said it was now accelerating markedly. Further, growing negative attitudes toward drugs led him to predict that the downward trend would persist.

Nearly 60 percent of the 1981 students said they believed regular marijuana users faced a "great risk" of harming themselves — up from only 35 percent three years ago. And the students consistently reported mounting disapproval by their friends and families.

## Ban on Possession of Handguns Sought by San Francisco Mayor

SAN FRANCISCO — Mayor Diane Feinstein has proposed a ban on handguns in an effort to make San Francisco a "bastion of sanity."

"Guns flow in this society like taffy candy," the mayor said Wednesday as she suggested banning private possession of handguns, a proposal modeled on a city ordinance that recently went into effect in Morton Grove, Ill.

Only police officers, security guards, military personnel and some other specified persons would be allowed to carry handguns. Others caught with the weapons would be subject to 30 days in jail. Residents would have 90 days to sell their weapons or surrender them to police, with no questions asked. Rifles and shotguns would not be affected.

The Morton Grove ban, which took effect Feb. 1, was upheld by a federal appeals court. The U.S. Supreme Court has refused to review the case.

Of the 126 homicides in San Francisco during 1981, 81 were committed with handguns, said Mayor Feinstein, who succeeded George Moscone after he and Supervisor Harvey Milk were shot to death — with a handgun — in November, 1978.

## U.S. Limits Soviet Expert To 5-Day Visa as a Protest

By David Shribman

WASHINGTON — The State Department, in a gesture of protest against Soviet visa policy, has issued a limited visa to Georgi A. Arbatov, the Soviet Union's leading expert on the United States and Canada.

Mr. Arbatov, head of the Soviet Institute of United States and Canadian Studies, was issued a five-day visa instead of the 13-day visa he requested. Officials at the Brookings Institution said that the limited visa forced Mr. Arbatov, a member of the Central Committee of the Soviet Communist Party, to cancel a meeting at the institution scheduled for Thursday.

The State Department said that in recent months the Soviet Union has denied visas to several of U.S. scholars and restricted the move-

ment of those who did receive visas.

"We felt that we should take a reciprocal step to underline to Moscow that access has to be more of a two-way street," a State Department official said.

The Reagan administration denied a visa extension to Mr. Arbatov early last spring, when he was to have participated in a U.S.-Soviet debate on the Public Broadcasting Service. The extension was denied because, as a State Department official said, "Americans have no access to Soviet television or other Soviet media."

He said that Mr. Arbatov, who is a frequent visitor to the United States, applied for a visa to attend meetings of the Independent Commission on Disarmament and Security Issues in the United States. The official said that the visa covered the five-day period of the sessions.

John Steinbruner, director of foreign policy studies at the Brookings Institution, said that Mr. Arbatov accepted an invitation for a luncheon meeting at the institution Wednesday. He said that he was told that Mr. Arbatov went to Canada because of his visa limitations.

Rep. Paul Simon, Democrat of Illinois, called the action "absolutely shortsighted." In remarks Wednesday on the floor of the House, Rep. Simon urged increased communication between the United States and the Soviet Union.

### Robert Lowe Kunzig

WASHINGTON (NYT) — Robert Lowe Kunzig, 63, an associate judge of the U.S. Court of Claims who was the former head of the General Services Administration, died Sunday at Georgetown University Hospital after a short illness.

### Richard Storry

LONDON (AP) — Richard Storry, 68, professor emeritus of Japanese studies at Oxford University and biographer of Soviet master spy Richard Sorge, died Friday.

### Sholom Katz

WASHINGTON (WP) — Sholom Katz, 67, a leading cantor and an authority on Jewish music, died Saturday after a heart attack.

### Frederick Poe Graham

NEW YORK (NYT) — Freder-

## Study Sees Reagan Cuts Hitting Work Incentive

By Robert Pear

WASHINGTON — Poor people who choose to work would lose so much in welfare and food stamp benefits under President Reagan's 1983 budget that they would actually have less disposable income than if they quit their jobs and depended entirely on federal aid, according to a new study by the University of Chicago.

The study, issued Wednesday, found that the proposed cutbacks would accentuate the "work disincentives" introduced into the federal welfare system last year.

Last year's changes reduced the income differential between working and nonworking welfare recipients, the study said, but the changes proposed this month by Mr. Reagan would make it clearly more profitable to most poor people to rely entirely on welfare and food stamps than to work at the low-wage jobs available to them.

Thus, it said, the changes would penalize welfare recipients for any work effort by sharply reducing the amount of benefits they received while they were employed.

The study, by the university's Center for the Study of Social Policy, is the most comprehensive state-by-state analysis of what happens to individual families as a result of the welfare cuts enacted last year and proposed this year.

"The systematic reduction in work incentives hits hardest at families at or near the minimum wage whose work efforts should be supported rather than discouraged," the study said. For many of the 600,000 welfare families who have some outside earnings, "work may no longer be justified by its rewards," the study added.

Thus, for example, in New York state, a three-person family with

no earnings would get, on the average, \$508 a month in welfare, food stamps and energy assistance under Mr. Reagan's proposals. The family would end up with \$40 less in monthly disposable income if the mother took a job paying \$486 a month, the average for working welfare recipients in the state.

The principal author of the study, Thomas C.W. Joe, was a welfare official in the Nixon administration. The center has a reputation among social scientists as being one of the most reliable sources of nonpartisan information on welfare matters.

Reagan administration officials have acknowledged that the president's proposals for cutting welfare, food stamps and other benefits might discourage work effort by some poor people. However, they say that the "working poor," as the most affluent sector of the welfare population, can best afford the reduction in benefits. In addition, they say that poor people sometimes choose to work to enhance their self-respect or to get a better job in the future.

Presidential aides such as Martin C. Anderson and Robert B. Carleson see welfare not as an income supplement for the working poor, but as a "safety net" for those, such as the elderly and disabled, who cannot work.

Mr. Reagan's 1983 budget proposes to deny welfare benefits to any parent who refuses employment or voluntarily quits work. The stated purpose of this change is to "discourage reductions in work effort."

The Chicago study says the reduction of work incentives is counterproductive because the government may ultimately have to increase welfare payments to a mother who curtails her work effort.

## Dr. Eugene Meyer of Johns Hopkins Dies

WASHINGTON — Dr. Eugene Meyer, 84, a professor emeritus in medicine and psychiatry at Johns Hopkins University and a member of the board of directors of The Washington Post Co., died Wednesday of cancer at his home in Washington.

Dr. Meyer was the son of Eugene Meyer, the late publisher of The Washington Post, and brother of Katharine Graham, chairman of

died Saturday. His pioneering work in immunology led to the designation as Franklin's disease of a disorder in the lymphoid system.

### Virginia Bruce

LOS ANGELES (LAT) — Virginia Bruce, 71, a movie star of the 1930s and 1940s and former wife of the silent film star John Gilbert, died Wednesday of cancer.

### Richard Storry

LONDON (AP) — Richard Storry, 68, professor emeritus of Japanese studies at Oxford University and biographer of Soviet master spy Richard Sorge, died Friday.

### Sholom Katz

WASHINGTON (WP) — Sholom Katz, 67, a leading cantor and an authority on Jewish music, died Saturday after a heart attack.

### Frederick Poe Graham

NEW YORK (NYT) — Freder-

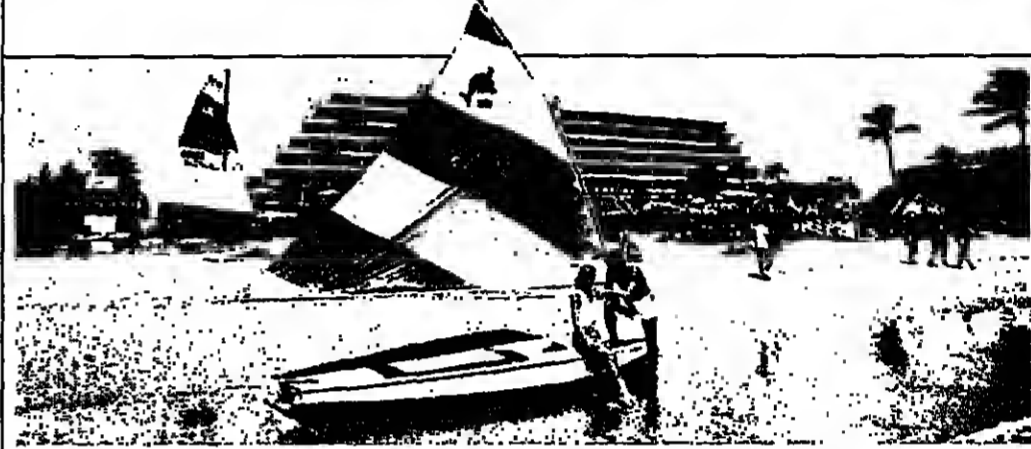
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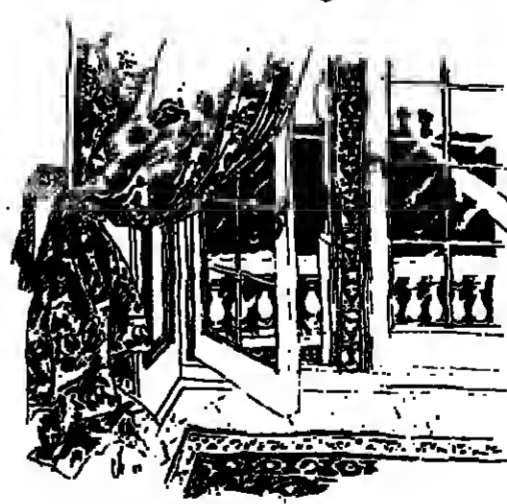
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## Paris Retains Pretoria Trade Despite Campaign Promises

By Meg Bortin

International Herald Tribune

PARIS — France's Socialist government, despite campaign promises of a commercial policy intended to weaken apartheid, has continued intensive trading with South Africa, according to French officials and private analysts interviewed in recent weeks. The trade includes construction of a nuclear reactor for which France indirectly supplied enriched uranium.

The United States earlier blocked export of this fuel because U.S. officials reportedly feared it could facilitate South Africa's entry into the club of nuclear-arms nations. Although the enriched uranium for the power plant could not be used directly for a weapon, its by-product, plutonium, could.

Sweeping sanctions against South Africa were urged by French Socialist party chief Lionel Jospin during the elections last spring. But the Socialist government, apparently re-evaluating this hard-line approach, has expressed skepticism about the efficacy of sanctions.

Explaining France's continued trade, despite the ideological tensions, a Finance Ministry spokesman evoked France's "delicate economic situation." France, he said, "will trade with any country that is solvent."

### Finnish Workers In Russia Strike

Reuters

HELSINKI — About 1,200 Finns employed in building a mining city inside the Soviet Union have gone on strike for higher daily allowances, employers said Thursday.

The Finns, mostly living close to the border with the Soviet Union, did not turn up for their cross-border trip to work Monday. They are asking for about \$22 a day in allowances in addition to their wages and have rejected an offer of just over \$19.

Employers said talks could continue Monday. The strikers are part of a work force of 1,800 building an iron-ore mining complex at Kostamus, a city of about 10,000. They are working on the second and third stages of the project, which are due for completion in 1984.

The biggest and most controversial French deal is the nuclear plant, South Africa's first, a \$2.5 billion facility at Koeberg near Cape Town that will cover one-tenth of the country's electricity needs.

Officials in Paris attribute a near 50 percent rise in French exports to South Africa over the past year mainly to the shipment of parts for this plant. Other recent French export deals include oil technology and generators for utilities.

It is being built by a consortium of three French firms — Spie-Batignolles, Alstom and Framatome — under a 1976 contract that the current French administration has promised to fulfill. The first of the station's two standard 900-megawatt reactors is to be operational this year, the second in 1983.

But until a few months ago, it appeared that Pretoria would be unable to obtain enriched uranium to fuel the plant.

Problems first arose when the United States, which had initially agreed to enrich South African uranium, refused to send it on to France for the French company Framatome to convert it into fuel rods.

The Carter administration took this decision because of its policy of not releasing fissionable material to countries that did not allow International Atomic Energy Agency (IAEA) inspection of their nuclear facilities.

The South African government has refused IAEA inspection of the top-secret Valindaba nuclear factory near Johannesburg.

Despite the U.S. ban, South Africa last November delivered an estimated 75 tons of enriched uranium, which would be worth \$35 million, to Framatome to be made into fuel rods.

The French External Relations Ministry declined to specify the enriched uranium's origin, saying only that it had been "procured on the international market."

Amid press speculation about the shipment's source, the State Department denied a Washington Post report that the uranium had been enriched in China and supplied through a Swiss intermediary.

Recently disclosed details, confirmed privately by French officials, show the enriched uranium originated in France.

While the original South African shipment remained blocked in the United States, South Africa managed to obtain a new supply from a Washington-based company, Edler International, which had obtained it from the Swiss firm Kaserengut. The Swiss had obtained it originally in 1974 from Cogema, a government-owned nuclear company in France. When a planned Swiss nuclear plant was blocked by domestic opposition, the Swiss consignment found its way to the South African buyers. The enriched uranium therefore never left France.

This Swiss connection, which French officials confirmed this week on condition they not be identified, was partly disclosed in an elliptical, little noticed communiqué last December from the Swiss Atomic Energy Association.

It said: "Recently part of Kaserengut's enriched uranium stock at Cogema was sold to an international business company, in accordance with IAEA rules for security and inspection." The communiqué added: "This uranium was later conveyed to Framatome in early November, 1981, to be transformed into fuel. The entire enriched uranium transaction was carried out with the approval of French authorities."

In response to questions, French officials acknowledged that this was the uranium sold to South Africa.

There has been little publicity in France about the operation, which the Paris-based Anti-Apartheid movement describes as "laundering" French enriched uranium for South Africa.

French government officials, asked this week about the South African deal, said France has abided by its contracts without signing any new ones.

However, the French press has carried reports of continuing French uranium imports from Namibia — despite repeated statements by the Socialist government that France is applying the United Nations resolution on Namibia and has therefore severed commercial relations with the South African-occupied territory.

Quoted about inconsistencies of this sort, a Foreign Trade Ministry adviser replied last year: "There is no defined inter-ministerial policy on French-South African relations."



STRIKE AGAINST RUNWAY — Detectives searched the rubble caused by an explosion Thursday at the offices of a Wiesbaden company involved in building a runway at Frankfurt's airport. "Revolutionary cells" opposed to the project claimed responsibility. No one was hurt.

## SWAPO Accuses South Africans Of Killing 15 Namibian Civilians

From Agency Dispatches

ADDIS ABABA, Ethiopia — The South-West Africa Peoples Organization accused South African troops Thursday of killing 15 civilians in South-West Africa (Namibia) and said the United States was encouraging South African intransigence in negotiations for a peace plan for the territory.

Speaking before foreign ministers from member states of the Organization of African Unity, SWAPO's secretary for international relations, Peter Mueshinge, said the killings took place Jan. 11 in the Ovambo region, near the Angolan border.

"Racist South African soldiers opened fire on a crowd of innocent people who were celebrating a wedding at a village in northern Namibia.... Fifteen people were killed on the spot and 37 others were seriously injured," he told the OAU Council of Ministers. A SWAPO delegate said the organization had eyewitness accounts of the incident.

In Pretoria, a military spokesman said the allegations were "rubbish." He said SWAPO hoped "the unsubstantiated allegations about atrocities will evoke sympathy for their so-called cause while the farcical mixture of lies and distortions... will pacify their Russian masters, who are pressuring SWAPO to show results in South Africa."

The spokesman said: "It is extremely unlikely that SWAPO will be able or willing to follow up their accusations with factual evidence."

Mr. Mueshinge said that what he termed the Reagan administration's soft policy toward South Africa was encouraging Pretoria to drag its feet on the question of Namibian independence.

"The diplomatic maneuvers of the Western contact group, spearheaded by the Reagan administration and based on the defective notion of constructive engagement [with South Africa], have not in any way helped to strengthen [UN] Resolution 435," he said.

The United Nations, in repeated resolutions, has declared SWAPO the only legitimate representative of the Namibian people and has called for South Africa to give up its administration of the territory.

A five-nation Western "contact group" — the United States, Britain, France, Canada and West Germany — has been trying to negotiate a settlement in Namibia.

### 2 Newsmen Expelled

ADDIS ABABA (AP) — Ethiopian authorities Thursday ordered two journalists, an American and a Scottish-born Kenyan, to leave the country because of complaints about their reporting, the journalists said.

## E. Germans Hold Pro-Army Rallies

The Associated Press

BERLIN — The East German authorities, faced with a fledgling peace movement that challenges militarism, have mounted some thing of a counteroffensive this week by using "comrades-in-arms" celebrations to emphasize the need to defend socialism.

The chief target of the campaign are the young people increasingly drawn to the nascent, church-based peace movement that nearly two weeks ago held an unprecedented meeting in a Dresden church and openly attacked Communist practices.

Virtually every newspaper in the country has reported at length on the "comrades-in-arms" rallies held to mark what East German leaders always call "the indestructible, fraternal bond" with the Soviet Army.

But special attention has been given to rallies held by the Communist youth organization, the Free German Youth (FDJ).

Exercises for Students

In addition, paramilitary exercises were scheduled for students in the 10th grade of all high schools. Such exercises are in addition to the military instruction compulsory in high school. They have been assumed by the church since its introduction in 1978.

Typical of the propaganda effort was a speech reported in the Leipzig newspaper, Leipziger Volkszeitung, Matthias Dietrich, first secretary of the local FDJ, was quoted as saying:

"There is nothing more important than peace, and therefore, it is an honor for every member of the FDJ to protect peace also with a weapon in his hand."

More than 4,000 young East Germans took part in the Protestant Church peace forum at Dresden. Many displayed the slogan of the West German peace movement: "Make peace without weapons."

The police took no action although such unofficial demonstrations are banned.

The occasion for the forum was the 37th anniversary of Dresden's destruction by Allied bombers Feb. 13, 1945.

At the forum, several speakers drew applause when they urged, for example, that the Communist authorities begin counting their own weapons instead of continuously reminding only of Western military might, that a "social peace service" in hospitals or schools be introduced instead of compulsory military service, and that West and East Germany work harder for the dissolution of the military blocs that divide Europe.

Harald Bretschneider, a youth pastor in rebuilt Dresden, noted the contrast between official East German praise for the peace movement in West Germany and the attitude against such a movement at home.

The only top-level reaction against the peace movement to date has been a speech late last year at a meeting of the party's central committee by Erhard Waldorf, a Politburo candidate, dismissed the demands for "social peace services" as anti-constitutional.

But party chief Erich Honecker has so far remained silent on the issue.

The authorities picked up East Berlin pastor Rainer Eppelmann, who authored a "Berlin appeal" for disarmament, a nuclear-free Europe and withdrawal of Soviet troops from East Germany and NATO troops from West Germany after his appeal was published in the West earlier this month. But he was released after two days.

Apparently, the government has decided the way out of its dilemma is the kind of countermove being carried through this week.

Thus, Gerhard Goetting, the chairman of the only official religious party, the tiny Christian Democratic Union, which is aligned with the ruling Communists, this week told a rally that "armed service for socialism is a legitimate form of peace service."

Western experts estimate there are 400,000 Soviet troops in East Germany in addition to the East German standing forces of about 160,000 for a population of 17 million. The United States maintains about 200,000 troops in West Germany, which has a standing force of 495,000 to defend a population of 60 million.

Exemptions will also apply to citizens of countries where Britons get free hospital care — including Norway, Sweden, Austria, Portugal, the Soviet Union, Romania and Yugoslavia — and to those from a few countries with colonial ties such as Gibraltar, Hong Kong, New Zealand and Malta.

And any visitor needing accident or emergency care or who contracts a communicable disease, such as measles, while in Britain will continue to get free treatment.

Most affected by the new ruling will be visitors from the United States, Canada, Australia and so-called Third World countries.

Revenue Increase Seen

"There is no reason why the British taxpayer should provide free hospital treatment to short-term visitors to this country," said Norman Fowler, social services secretary, announcing the Conservative government's plan in the House of Commons Monday.

The new rules would theoretically apply to about half of the country's annual 12 million visitors. It is expected to raise £6 million (\$11 million) a year to help the ailing National Health Service. Critics have focused on the complicated exemption system, which is bound to create paperwork. Ethnic minority groups here also say that they will be the hardest hit by the nationality and residence checks.

Parliament is to decide on the exact regulations for implementing the new hospital charges, which are likely to be from £80 to £130 a day.

One point to be debated is the wording of the proposed three questions all patients will be asked before entering a hospital. They are, in draft form, "Have you been resident here more than a year? Are you permanently or indefinitely resident here? Are you working full time here?"

If the patient answers affirmatively to any of these he or she will not be questioned further. Also under the new rules, the patient need not produce a passport.

The changes will be published abroad and visitors will be advised to buy insurance.

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Bulgaria (air).....	\$	230.00	115.00	63.00	Japan.....	£ire	144,000.00	72,000.00	39,600.00	Spain (air).....	Ptas.	12,600.00	6,300.00	3,520.00
Canada (air).....	\$	330.00	165.00	92.00	Kuwait (air).....	\$	330.00	165.00	92.00	Sweden (air).....	S.Kr.	810.00	405.00	225.00
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Czechoslovakia (air).....	\$	230.00	115.00	63.00	Libya (air).....	\$	248.00	124.00	69.00	Tunisia (air).....	\$	230.00	115.00	63.00
Denmark (air).....	D.Kr.	990.00	495.00	270.00	Luxembourg.....	L.Fr.	5,400.00	2,700.00	1,500.00	Turkey (air).....	\$	230.00	115.00	63.00
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France.....	F.F.	720.00	360.00	198.00	Morocco (air).....	\$	230.00	115.00	63.00	Yugoslavia (air).....	\$	230.00	115.00	63.00
Germany.....	D.M.	360.00	180.00	100.00	Netherlands.....	Fl.	406.00	203.00	112.00	Zaire (air).....	\$	330.00	165.00	92.00
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### *Evolution in Thinking*

**By William Pfaff**

Room, Room  
THURSDAY

Handwritten text in a box at the top center of the page.

# Potential Investors Reappraise Social, Economic Climate

By Jack Aboaf

PARIS — France continues to be particularly attractive for foreign investments, offering advantages that should not be underestimated. Nevertheless, the current economic and social climate and certain policy contradictions are compelling a number of potential investors to reappraise the situation.

This is the consensus that emerged from interviews with corporate executives and consultants during and after the recent two-day conference on the economic policies of the Socialist government.

Jacques Favillier, the London-based executive director of Bank of America International, remarked that France offered a number of advantages other than purely financial ones. "Potential investors are not attracted only by incentives, but by countries where long-term prospects are best," he said.

Norbert Baillen, a corporate consultant, concurred: "I am inclined to look at the positive aspects of France, at the least of which is the fact that it is extremely well-placed in relations with the Third World."

**Moderation Cited**

Mr. Baillen conceded that in the early weeks of the new administration there were too many public statements that were "definitely frightening" to the international business community. But there has been considerable moderation since then, he said, and the two-day conference was a good example of the change. "It shows the government's desire to indicate to the world that it is open to dialogue and proposals," he said. He added: "In difficult periods there is always a tendency to run scared. But difficult periods are also moments of opportunity."

Thomas L. Browne, vice president of Sprague World Trade Corp., manufacturers of electronic components, admitted that his company decided to adopt a wait-and-see attitude in the early months of the new administration. "But the climate has improved considerably since ... We find government officials receptive and very understanding," he said. Mr. Browne said that his company had decided to proceed with plans to expand its facility at Tours.

Edouard Welten, adviser to the Board of Executive Directors of Bayerische Vereinsbank, acknowledged the solid advantages offered by France, but felt that the time may not be ripe for new foreign investments. Potential investors are still in the dark about the proposed fiscal reforms, plans to overhaul the Social Security system and the impact of the new labor relations with entrepreneurs, he said, adding: "All these aspects, which are of major importance, remain undefined ... Potential foreign investors want to know the rules of the game before making a decision."

Mr. Welten's recommendations to potential foreign investors are: "prudence, precaution but not immobility."

**Reappraising Climate**

Chris Petrow, vice president of the American Chamber of Commerce in France, said that in reappraising the French investment climate foreigners look at five main areas: the government's macroeconomic policies; its attitude toward the private sector; its attitude toward foreign investment; unit and labor costs; and the labor climate.

Mr. Favillier cited a number of contradictions in the government's current and proposed reforms: its emphasis on remaining open to the world and its decision to reconquer the domestic market; its decentralization program and its nationalization policy which, in France, means "centralization of decisions"; its desire to ensure a healthy corporate sector and higher corporate charges that will inevitably result in loss of competitiveness and jobs.

"What we saw [at the conference] was the traditional approach by Socialist ministers trying to woo, explain and sell their policies to an audience which by definition is not devoted to their cause," he said.

He agreed, however, that France has a stable environment and a very strong industrial base that should attract foreign investors. "If a businessman comes to the conclusion that his investment will result in a reasonable return, he doesn't really care what government is in power," Mr. Favillier said.

Several other conference participants recognized that initial doubts and misgivings about the Socialist administration are gradually disappearing. And a U.S. corporate executive noted the government's repeated assurances that it welcomes foreign investment "and values its role in the development of the French economy."

Arthur Ralph, director of Laboratories Wellcome, a subsidiary of the Wellcome Foundation of Britain, noted that the government "is realistic and takes fully into account the world we are living in and the constraints it presents." He added: "Oddly enough, there is a general feeling that the Socialist government is more encouraging and more receptive [to foreign investors] than the previous administration."

Mr. Ralph said that his company was planning a sizable capital investment on the Continent and that the choice of the country would be influenced by the advantages offered, the geographical location and the economic environment. For his company, which produces drugs, French price controls are a major constraint to expansion, he said.

Martin Cernial, vice president for the health division of Revlon Europe, Middle East and Africa, remarked that the fact that foreign investors were still coming to France meant that they had not been "scared off" by the change in government.

Although participants do not expect U.S. companies to abandon the French market, the outlook for investment growth throughout Europe is considered dim. The consensus, however, is that the arrival of a Socialist administration in France will not dry up foreign investments, except perhaps in labor-intensive sectors.

**Social Policy**

Indeed, concern was unanimous over the possible impact of the government's bold social policy, notably the reduction of work hours, a fifth week of paid vacation and increased concessions to labor unions.

"If the move toward a shorter workweek is carried out in a way which puts the whole burden on the employer in the form of wage increases not justified by increased productivity, this will unquestionably act as a deterrent to foreign investments," Mr. Petrow said.

The extent of the restrictive labor practices, especially with regard to layoffs, is also seen as having a dampening effect on investment decisions. "Businessmen can adjust better to increased costs but are afraid of increased inflexibility of both labor and capital," a corporate executive said.

Also on the negative side is the French nationalization program, the economic wisdom of which is doubted by most foreign corporate executives attending the two-day conference.

● Launching a sweeping modernization of French industry by substantially increasing government expenditures and by nationalizing the nation's banking system and key industrial sectors, notably electronics, chemicals, pharmaceuticals and industrial materials.

● Repeatedly stressing its policy of welcoming new foreign investments, described by Prime Minister Pierre Mauroy as open and pragmatic. He told a conference sponsored by the International Herald Tribune in Paris earlier this month that his government's policy contrasts sharply with that of the previous government of Valéry Giscard d'Estaing. "We are not Martians," Finance Minister

● Providing new or expanded incentives for foreign investments in the form of subsidies and tax advantages, primarily in areas hard hit by worsening unemployment. Although the measures are also aimed at domestic firms, the emphasis has been placed on attracting investors from the United States and European and Arab nations.

● Negotiating behind the scenes

(Continued on Page 8S)

## INTERNATIONAL Herald Tribune FEBRUARY, 1982

### Investment From Abroad

Company	Activity	Investment (in millions of francs)	Site	Jobs Created (at completion)
<b>Before May 10</b>				
TRANE (U.S.)	heat exchangers	8	Charmes	60
KODAK (U.S.)	photo materials	70	Chalon/Saone	50
JOKEY-PLASTIK (W. Germ.)	molds	-	Nœux-les-Mines	70
MIBACK (W. Germ.)	textiles	-	La Croix-aux-Mines, Saint-Rambert-en-Bugey, Tenay	800
HAPPISH (W. Germ.)	auto equipment	-	Conflans-Saint-Loup	160
CHICAGO BRIDGE IRON (U.S.)	metal construction	-	Sedan, Arles, Dunkerque	1,180
AGROTUB (W. Germ.)	drainage materials	12	Carmoux	50 (+ 30)
SIEMENS (W. Germ.)	measuring instruments	2.2	Haguenau	35
STEEL CASE-STRAFORD	office dividers	40	Wisches	300
<b>After May 10</b>				
FORD (U.S.)	auto components	1,200	Bordeaux	-
MITEI (Canada)	telephone switching	150	St.-Die-Epinal	1,000
HEWLETT-PACKARD (U.S.)	minicomputers	130	L'Isle d'Abbeau	700
QUAKER OATS (U.S.)	animal feed	50	Saint Etienne	200
MACRODYNE (U.S.)	special metalwork	30	Portenay	300
SPONSOR (Sweden)	stereoscopic material	7	Vic-en-Bigorre	50
STARKIST-HEINZ (U.S.)	canning	75	Douarnenez	600
DANLY (U.S.)	machinery	20	Burnhaupt	40
AKAI (Japan)	electronics	20	Honfleur	200
MATRA-TANDY (U.S.)	micro-computers	20	Colmar-Wintzenheim	150
MATRA-HARRIS (U.S.)	components	-	Basle Loire	650
RANK XEROX (Brit.-U.S.)	electronics	100	Lille	700
PIONEER (Japan)	electronics	-	Bordeaux	200
CITIZEN (Japan)	watches	-	Besancon	40-100
UNION CARB.-ELF ACQUIT. (U.S.)	carbon-fiber plant	-	S.W. France	-
G.E.-SNECMA (U.S.)	precision machinery	-	Saint-Nazaire	500
INTERMAG (W. Germ.)	video cassettes	-	Besancon	120
LEVI STRAUSS (U.S.)	jeans	-	La Bassee (Nord)	180

# Foreign Projects Actively Sought; Results Are Mixed

By Axel Krause

PARIS — As part of its expansionary economic strategy, the Mitterrand government has mounted a new and long-term campaign to attract foreign investments to France. The performance record to date has been decidedly mixed.

The successful ventures include roughly a dozen investments, notably American, announced after the Socialist election victory last May. But several other proposed U.S. ventures and a Dutch investment are being quietly blocked by the government, while about a dozen other projects — all in advanced planning stages — are being evaluated for approval.

Indeed, the government's performance in attracting investments since the election provides but a sketchy answer to the repeatedly heard question: Is France a good investment bet?

Despite prospects for a modest economic recovery this year, the overall climate for new investment in France remains clouded by political and social uncertainties. These are reflected in a wait-and-see attitude prevailing among many French and foreign businessmen, bankers and consultants interviewed recently.

Yet, many foreign executives appear convinced that France is — and may well remain — a comparatively good bet for the future, primarily for economic reasons.

**'Makes Sense'**

"There may be little, if any, political incentive for coming here," said J. Paul Horne, Paris-based first vice president and European economist for Smith Barney, Harris Upham, a U.S. investment bank. "But from an economic standpoint, France makes sense ... There will be strains for the next year or so, but France remains No. 1 in Western Europe for potential industrial growth," he added.

As part of the campaign to develop that potential, the Mitterrand government is presently doing the following both in France and abroad:

● Launching a sweeping modernization of French industry by substantially increasing government expenditures and by nationalizing the nation's banking system and key industrial sectors, notably electronics, chemicals, pharmaceuticals and industrial materials.

● Repeatedly stressing its policy of welcoming new foreign investments, described by Prime Minister Pierre Mauroy as open and pragmatic. He told a conference sponsored by the International Herald Tribune in Paris earlier this month that his government's policy contrasts sharply with that of the previous government of Valéry Giscard d'Estaing. "We are not Martians," Finance Minister



Pierre Mauroy



Jacques Delors

Jacques Delors told multinational executives attending the two-day conference.

● Providing new or expanded incentives for foreign investments in the form of subsidies and tax advantages, primarily in areas hard hit by worsening unemployment. Although the measures are also aimed at domestic firms, the emphasis has been placed on attracting investors from the United States and European and Arab nations.

● Negotiating behind the scenes

(Continued on Page 8S)

# Major Ford Expansion Boosts Aquitaine Region

By Katherine Knott

BORDEAUX — Ford-France's announcement in October that it would make a 1.2-billion-franc, three-year investment at its Bordeaux plants, the largest foreign investment since the election in May, was a boost for the Aquitaine region and for the new national government, even though the project had been taking shape for some time.

"We reviewed what impact it [the election] could have" and decided to go ahead, said Rudolph H. Boniface, president of Ford-France. Although company officials are concerned about increased labor charges under the new administration and are critical of increases in business taxes, the move was a major commitment to a plant whose future had been in doubt, and that has been repeatedly tilted because of the depressed U.S. automobile market, leading to early retirements and other programs to reduce personnel.

The investment is part of an overall Ford investment of \$20 billion between 1980 and 1985 in the automobile business, \$5 billion of that in Europe. The aim of the Bordeaux expansion is to produce parts for smaller, more fuel-efficient cars, in a global strategy to counter Japanese competition. "The Japanese are aggressive and efficient," Mr. Boniface said. "Ford wants to be amongst the companies closest to being competitive" with them.

**Extensive Retooling**

The investment involves as much money as the two original Bordeaux investments made in the 1970s, but there will be no new plant. Instead, the existing plants — one for automatic transmissions and the other for transaxles for the Fiesta — will be modernized and



Rudolph H. Boniface

reorganized through extensive retooling.

They will continue to manufacture the three-speed automatic transmission they began making in 1973 — 75 percent of that production has been exported to the United States — but the most important new product will be a more fuel-efficient four-speed automatic transmission for the U.S. market. Other products — notably a five-speed manual transmission — will be intended to widen Ford's

market in Europe and will go to European assembly plants for the Fiesta, the new Escort and future cars. The plants also will manufacture parts that they previously got from other plants, such as clutch assemblies.

The first production stemming from the new investment is scheduled for the end of the first trimester of 1983. The expansion should significantly raise the output of the two plants, which have been producing below capacity for several years.

The slowdown in production at the Bordeaux plants in recent years had led some union officials and the municipal government to fear the loss of the plant, and, consequently, of more than 3,000 jobs. Although the two plants are already established in Bordeaux, they were nevertheless in competition for the latest investment with sites in other countries. Indeed, it was reportedly the generous fiscal and other incentives offered by the French government that tilted the balance in favor of this country.

**Chaban-Delmas Role**

Mayor Jacques Chaban-Delmas of Bordeaux, who had a major role in the original siting of Ford in the region in the early 1970s, also pushed for this investment. Jacques Valade, first deputy to Mr. Chaban-Delmas, pointed out that the city felt there was a serious threat that the plant might wind down its operations, and that without the mayor's intervention — without the political weight the former prime minister carries and his close relations with high-level Ford officials — "things would not have happened so simply." He also stressed that the new government had looked favorably on the investment.

Bordeaux undoubtedly had a lot going for it. The region has attracted a number of other foreign companies, including IBM, TRW, Siemens and Sony — and the Japanese firm Pioneer has announced that it will set up a plant. It is a port area, with a container facility, and Ford's production is exported. But one of the most important points in its favor is that it is among the most productive of similar plants in Europe — there are about 20 among various companies — and one of the most com-

petitive Ford plants in the world for both quality and productivity. As a Ford official in Bordeaux put it, it is "one of the centers that has best learned the Japanese example."

There are a number of reasons for the high productivity. To begin with, Aquitaine has the lowest rate of absenteeism of any French region, according to the Bordeaux Chamber of Commerce and Industry, and among the lowest rates of lost hours because of strikes. While the area does not have as strong an industrial tradition as others, it is the leading French region for aeronautics (with Avions Marcel Dassault-Breguet Aviation, Aerospatiale, Thomson-CSF and others) and among the leading regions for electronics. It has a relatively young work force, with a "very great facility for adaptation," said Roland Espocel, director of community and government relations at Ford-Bordeaux.

**Cost Disadvantage Seen**

Nevertheless, Ford sees labor costs as a major problem. Mr. Boniface said, for example, that the planned eventual reduction of the workweek to 35 hours would build in a 12.5-percent cost disadvantage for Ford.

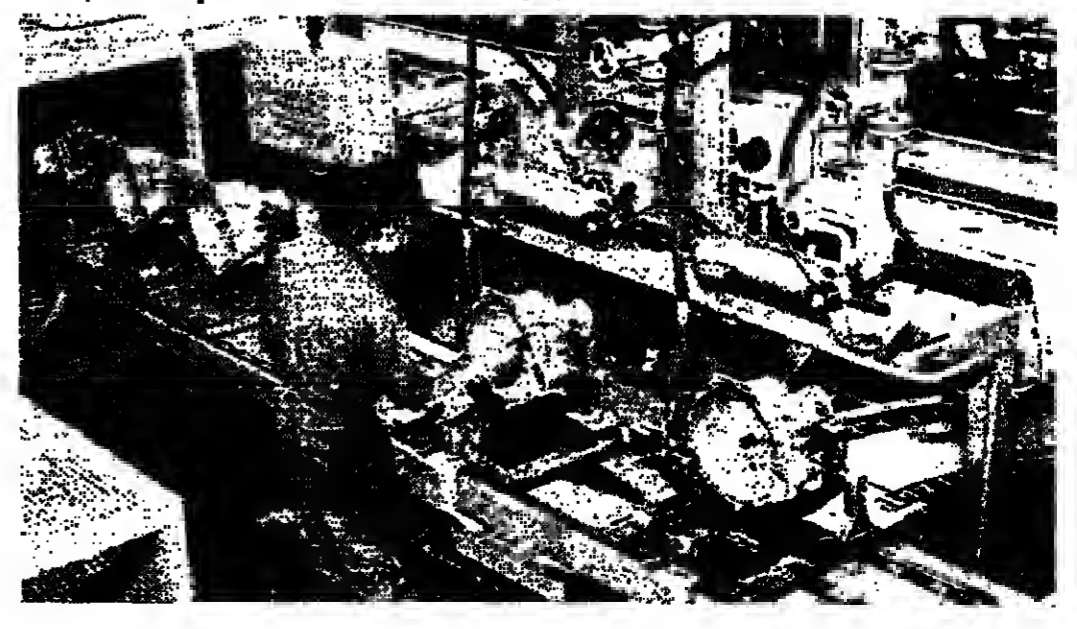
Gilbert Levy, general manager at Bordeaux, said that the uncertainty caused by the government's recent debate on reducing the workweek to 39 hours, and uncertainty about the timing and details of future reductions, made planning difficult. He said that the reduction increased the company's handicap in relation to the Japanese, and that it could hamper future investment in the plant.

"We are in direct competition," he said, "with people who have weapons, and very good weapons." Company officials are also out

(Continued on Page 9S)



Above, the Ford plants at Bordeaux. Below, employee works on automatic transmissions.



## The American C of C: Smoothing the Way

PARIS — For the American Chamber of Commerce in France, whose major objective is to put forward the businessman's viewpoint, the change in government in May was an opportunity to point out what it sees as roadblocks to foreign investment.

The Chamber, founded in 1894, maintains regular and wide-ranging contacts with all levels of the French administration, but the election led to a long, detailed memorandum to the government last September calling for reforms in tax laws for foreign business-

men as well as a streamlining of the procedure for setting up investments.

The Chamber is not in the business of making political stands, and its officials have been sensitive to suggestions that the memorandum was a criticism of the Socialist administration.

Executive Director Barrett Dower explained that the memorandum was a response to a government request for opinion on various policies, and therefore was only in that sense a reaction to the election. Chamber President David

T. McGovern said: "We were trying to grab the idea of a change, and say, 'This is something you can change for the better.'"

Although the memorandum generally dealt with policies in effect before the elections, it did show concern about new social charges and taxes on the upper income brackets, which will affect senior executives located in France — and thus decisions by foreign companies to set up here.

The government, which is studying the suggestions, has generally been responsive, Mr. McGovern

said, adding: "We certainly caught their ear." He was cautiously optimistic about various recent moves, saying that, in certain areas, the government had already improved what the memorandum saw as problems, such as the slow approval process for investments. "They are faster," he said. "There's no question about that."

In the memorandum, the chamber compares French policies with those of Belgium and Britain, notably on tax laws, stressing the importance in company decisions of the willingness of executives to relocate. Saying that most senior executives, who usually remain abroad about five years, have investments and other financial ties in their own countries, the chamber adds: "The application to these people by the host country of the legal and fiscal rules normally applied in residents imposes, on them ... charges and restrictions that cause them often to resist relocation."

The taxation policies affect mostly top-level decision-makers, and thus influence a company's decision to set up headquarters in a country. France has for years actively tried to attract headquarters companies. "Now is the time to not take steps to discourage them," Mr. McGovern said.

In France, for example, foreign businessmen after two years are subject to the same currency exchange controls as residents, while they are not subject to these in Britain and only partially in Belgium; and so the memorandum suggests that foreign executives be considered nonresidents for currency control purposes.

Foreign businessmen also are subject to regular French income tax, while in the other two countries they get sizable tax deductions. France also taxes income earned by executives in other countries, while the other two do not. The memorandum stresses that foreign executives encounter costs in moving that often are not deductible, and that allowances from their employers artificially inflate their salaries, and thus their taxes.

The Chamber also cites the extra burden from certain recent French government measures, such as exceptional taxes on high incomes to pay for unemployment compensation, and from the ceiling on the standard deductions. The Chamber recommends a deduction on gross salaries to reduce the taxable base, and that income earned in other countries not be taxed. According to Mr. McGovern, the government has been sympathetic about the taxation problems, par-



Barrett Dower



David T. McGovern

ticularly about the application of the new wealth tax, which could in principle affect the assets of businessmen in their own country. But no specific steps have been taken.

In another matter, the memorandum calls for more precise government guidelines for foreign investors on such things as priority sectors and conditions for investment, thus streamlining what it says can be a long and expensive process to obtain approval for an investment. "French rules in this matter are in contrast to the current tendency in other Western countries that aims at a gradual easing of all rules for capital movements," the memorandum said.

The Chamber asks notably that there be a three-month cutoff for approval of new investments, after which the approval would be tacit. It also recommends that ceilings on investments be increased, and in some areas lifted altogether.

In this area also, the government has been moving in a positive direction, Mr. McGovern said, with the confusion over priority sectors being "cleared up slowly but surely."

— KATHERINE KNORR

## Foreign Projects Actively Sought

(Continued from Page 7S)

with several multinationals targeted for nationalization in an effort to keep them in France and linked to their French partners. The companies include Honeywell Inc., which owns 47 percent of the French computer company CII-Honeywell Bull, West Germany's Hoechst, which controls Roussel-Uclaf, France's No. 2 pharmaceutical company, and ITT's interests comprising telephone equipment manufacturing plants.

Insisting that France expects reciprocity for its investments abroad, whose expansion the government also intends to continue promoting, Mr. Mauroy recently said that he had no fears about Washington's attitude. But he emphasized that international reciprocity is a crucial element in the government's underlying commitment to promote investments both in and by French industry.

The underlying motivation for the government policy is a determination to reduce, and eventually reverse, France's worsening unemployment by stimulating gross national product, for which the government forecasts a growth of 3.1 percent for 1982. The Organization for Economic Cooperation and Development recently forecast only 2.5-percent growth this year, but all the pickup projections contrast with virtually stagnant growth through 1981.

### OECD Report

In its annual report on France published last month, the OECD also concluded that the nation's recovery, future employment and private investment levels were clouded by uncertainties.

In blunter terms, INSEE, the government's statistics office, said that, based on reports from French industry, the volume of new private investment in France during 1982 could fall by about 7 percent in real terms. INSEE warned that could jeopardize the recovery.

Meanwhile, however, French companies and banks have invested heavily abroad, notably in the United States, Latin America and Asia. According to U.S. government estimates, French investments outside France last year totaled more than \$5 billion, nearly double the 1980 total.

"It is ironic that as French business hesitates at home, they expand outside their borders, far more ambitiously," said a U.S. official who watches the French investment scene.

The official, who declined to be identified, said that, in sharp contrast to the upbeat language of

French officials, several U.S. companies — all in areas of high technology that he also declined to identify — regularly complain of continuing refusal by Paris to approve their planned investments.

"These cases go back well before the Socialists, but they still are being blocked deliberately, which explains the secrecy ... The investment rules in France remain to be defined," he said.

A more transparent example of difficulties encountered in investing in France surfaced during the Paris conference when participants were asked how they had fared in their dealings with DATAR, the government's regional development agency. Among the dissatisfied was Jan Willem Van Bussel, board member of the large, Dutch government-controlled UKF fertilizer group.

"We still have not been able to get an answer to our investment request," said Mr. Van Bussel, noting that since autumn UKF has been seeking permission to build a 400-million-franc fertilizer plant at

Gouaix, southeast of Paris, adjacent to a unit it built in 1964. DATAR officials said that the matter was still under study by a so-called decentralization committee, composed mainly of government officials, which is concerned with pollution and other environment-related issues raised by the project. "Given Paris' proximity to Gouaix, a protected area, the dossier presents itself badly," an official said.

Behind the scenes, leading French fertilizer companies also are opposing the project on the grounds that UKF will benefit unfairly from Dutch government subsidies.

"This is a Dutch Trojan Horse that France doesn't need," said a French chemical executive, adding that a group of French fertilizer companies are launching the building of a similar plant near Rouen.

"Unfortunately, the so-called gas advantage is not true," counters Mr. Van Bussel, who notes that UKF unsuccessfully sought permission for takeover of a leading

French fertilizer company in 1977. One alternative is to build the plant in the Netherlands, he said.

Roughly a dozen foreign projects, including UKF's, are under active consideration, which is roughly the number in the pipeline a year ago, DATAR and other French government officials said.

Among these is a proposal by PPG Industries of the United States to acquire the flat glass operations of BSN-Gervais Danco, France's leading food processing group, for an estimated \$5 million franc, and to immediately invest 150 million francs in the company. PPG's proposal, which is expected to be approved shortly, would make the U.S. company the nation's second-ranking glassmaker after Saint-Gobain, a diversified and recently nationalized industrial company.

PPG executives have said in private conversations that they fear that, when the deal goes through, the company could face unfair government-backed competition from Saint-Gobain. Others share that view.

"PPG is by no means the only private company fearing how the nationalized companies will behave once they start up under government control," said an international lawyer whose clients include several multinationals seeking investments in France.

Such fears are brushed off by Industry Minister Pierre Dreyfus. He stresses that the heads of the nine newly nationalized industrial companies named on Feb. 17 are being instructed to maximize profitability and should not count on unfair advantages from the government.

However, neither Mr. Dreyfus nor other government planners deny that state-controlled companies now will account for a far greater proportion of the nation's industrial output — 32 percent after the nationalizations, against 18 percent previously, according to Industry Ministry estimates.

Meanwhile, the former head of Renault, which is expanding its U.S. operations, said that talks with Honeywell and ITT are continuing.

"We are no hurry," said Mr. Dreyfus during a recent press conference, responding to a question about the talks with Honeywell and ITT.

On Wednesday, the government announced that it would be taking a 34-percent interest in Roussel, which might be increased later to 50 percent. But officials stressed that cooperation between the two companies in France and abroad would be developed.



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## Ford Expansion Gives A Boost to Aquitaine

(Continued from Page 75)

sure whether they will be able to schedule workers more flexibly — for example, on Sunday, which is not a workday now. "I cannot program a factory machine," Mr. Levy said, "with unknown parameters."

Mr. Boniface and Mr. Levy are also critical about increasing French business taxes. "Those who invest are the most penalized," Mr. Levy said.

**Incentive Package**  
Aside from considerations such as the availability of skilled labor, the level of productivity and the general resources of the region, a major consideration for investment is the incentives that the government offers, including tax breaks, low-interest loans and grants for jobs created. In this case, the government was apparently favorable, and Mr. Chaban-Delemas' connections undoubtedly helped again. A large package of incentives was agreed on — it has been reported that these were as high as 20 percent of the investment, although Ford officials decline to give a figure.

Ford has been involved in Bordeaux off and on since the beginning of the century. Its most recent investment there began in 1973, when it set up the automatic transmission plant, at a cost of 600 million francs. When it put out the Fiesta in 1976 it set up another plant in Bordeaux, at a cost of 420 million francs, to manufacture and assemble the transaxle for exportation to the three factories assembling the Fiesta: Valencia in Spain, Sarcelles in West Germany and Dagenham in Britain.

The transmission plant exported more than 2.7 million transmissions between July, 1973, and December, 1981, while the transaxle plant exported about 2.4 million of its products between April, 1976, and the end of 1981. Turnover in 1980 amounted to nearly 1.4 billion francs, making Ford the largest exporter to Aquitaine (this ranking would not include all firms in the region, however, only those whose exports are ranked leaving Aquitaine), and the first French exporter for automobile components. It was rated 40th among French industrial exporters in mid-1981. Furthermore, 76 percent of Ford-Bordeaux's suppliers in 1981 — from raw materials to parts to services for the factories — were French.

Despite the size of the invest-

ment, employment at the plants — currently 3,200 — is not expected to be increased significantly in the near future. A plan for early retirement that was set up last summer will continue, and Ford expects idle time this year. Hiring is not expected to begin until 1983, if then, and this could eventually raise the total work force to 3,600 persons.

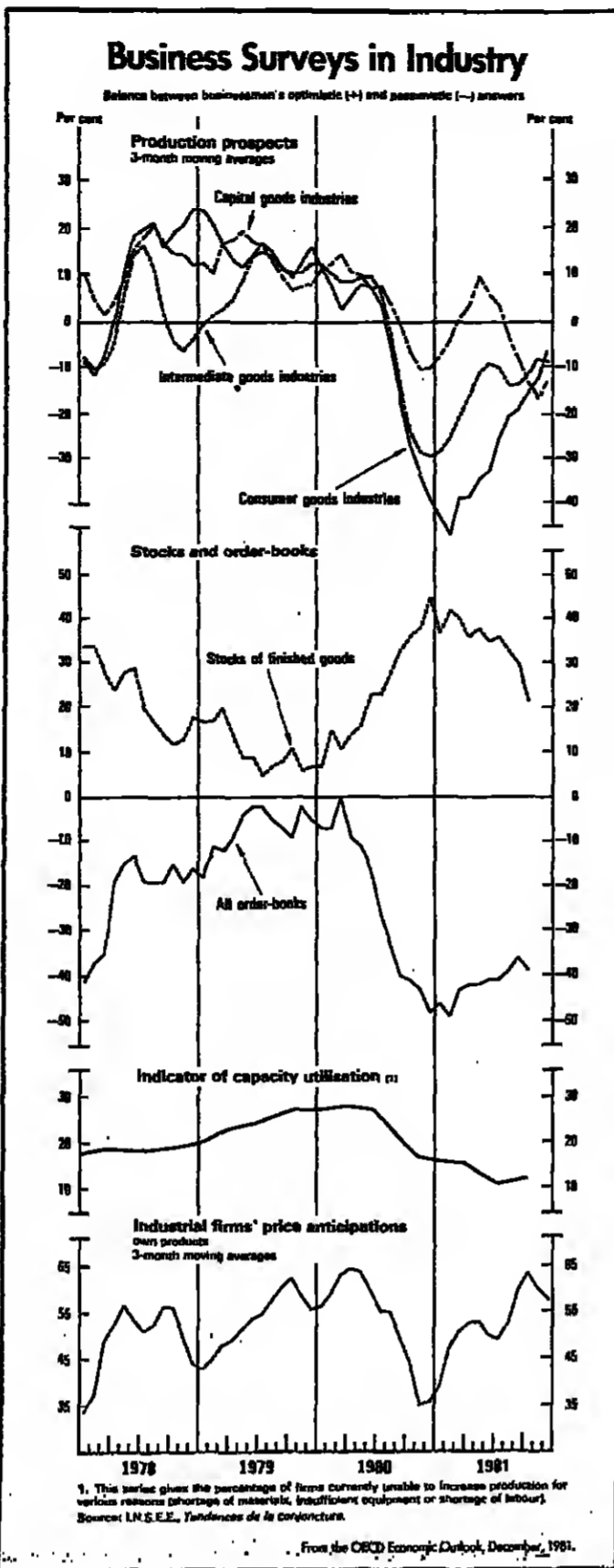
Unemployment in Aquitaine is higher than the national average — 9.3 percent in September, 1981, against a national average of 8.7 percent, according to DATAR, the government's regional development agency. Furthermore, industrial employment in the region dropped 1.1 percent a year between 1975 and 1979, then rose only 1.2 percent between 1979 and 1980.

For some union officials, however, the investment is a mixed blessing. The local CGT organization, which represents the workers in the lower-skill jobs, has criticized Ford for not investing in the plant, saying that it was letting the factory for automatic transmissions become obsolete.

"Ford was disengaging itself" from Bordeaux, said Jean-Claude Conte, the local secretary for the CGT at Ford. Although they were pleased by the latest investment because they felt that it committed Ford to Bordeaux, they now fear a loss of jobs through new technology. "We know that in the future the choice of the multinationals ... is to move toward modernization," Mr. Conte said. "When they talk about competition [with the Japanese], they talk about new machine-tools," he added. "What's going to happen to the workers?"

The union has called for a major training program over three years to guarantee that the current workers will be able to work on the new machines. Mr. Conte said Ford's current formation program was inadequate.

Ford officials counter that, while the new machines represent a technological evolution, they do not represent a revolution or the wholesale use of robots. Mr. Espezel points out that, when Ford originally came to Bordeaux, it had to train the local labor force, and that its training program has continued to do this. He said that, although some of the more repetitious jobs will be reduced or eliminated, the majority of the change will be an adaptation to new or retooled machines.



## Selectivity Is Key to Policy Toward Japan

By Joseph Fitchett

PARIS — Japanese investment in France is closely linked with the politically sensitive issue of Japanese exports' spectacular intrusions in the French market.

"When we talk about reconquering the domestic market, we are thinking mainly about ousting some Japanese imports," a French Cabinet minister told a group recently.

To right this commercial imbalance, French and Japanese officials and businessmen look to Japanese investment — and job creation — in France. For both sides, it offers hope of defusing the irritation building up over Japan's commercial edge at a time of high French unemployment, thus easing the pressure for outright protectionism.

"Politically, the Japanese have started to realize they can't expect to continue their export successes without some investment as a counterbalance," a French official said. "Yes," another official agreed, adding: "But we intend to make sure we get new technology and avoid becoming just an assembly area for Japanese products."

### Few Factories

The policy is in its infancy. Japanese investment in France — roughly \$400 million, according to Japanese Embassy figures — remains small in comparison to the Japanese stake in, for example, Britain or West Germany. Japanese factories in France are few, far between and small.

Major resistance remains. On the French side, the Mitterrand government intends to be highly selective, officials say, about which Japanese investments are approved.

Ultimately, France hopes to see the Common Market adopt guidelines to ensure that only useful Japanese investment is admitted in Europe, several officials said. Meantime, they said, France intends to accept only investments that reinforce the French industrial base, rejecting those that substitute Japanese technology for French products.

Japan also has not overcome its hesitations. While government officials see the diplomatic gains of a larger Japanese presence in France, Japanese businessmen are less enthusiastic. "France is almost the last country a Japanese entrepreneur thinks about entering," a Japanese diplomat said.

Now, after years in which it was almost nonexistent because of French suspicions and Japanese

preferences for more porous investment markets, Japanese investment is starting to develop in France.

Sony has a plant in Bayonne producing magnetic tapes. Akai has started an operation in Honfleur and Pioneer has decided to

**"We intend to... avoid becoming just an assembly area."**

build. These hi-fi investments, all recent, have joined the handful of earlier investments such as the YKK zipper plant and small ventures by Fentel and Nippon Ink. Citizen watches is arriving, too.

In the pipeline, officials say, are two bigger joint ventures: a carbon fiber plant built by Toray, Union

Carbide and Elf-Aquitaine to supply the European market; and a videotape factory involving JVC, Thomson (recently nationalized) and some other European partners.

But French selectivity continues to annoy the Japanese. "Sony was authorized because it makes a tape for which there is no French competitor, and Pioneer is equally opportune for the government's industrial strategy," a Japanese diplomat noted.

Part of Japanese industry's hesitations about France, he said, spring from a mixture of ignorance about France and resentment caused by French quotas on Japanese cars and electronics.

On the French side, officials say that they will block any Japanese investment — for example, in cars — that could undermine a vulnerable section of French industry.

Positive French criteria exist, too. For DATAR, the emphasis is on creating jobs, especially in re-

gions undergoing an industrial reconversion. The Ministry of Industry has a slightly different emphasis: insisting that technology flow from Japan to the West.

For all the wariness, Japanese investments in France, once made, have generally proved satisfactory to both sides. "Once we get in, the results are not bad; we're rather happy," said a Japanese who advised on several recent investments.

The gamble of the Mitterrand government is to attract higher grade investments designed to help modernize the economy.

For this, two bilateral commissions have been established to study French-Japanese industrial cooperation. One involves the French Industry Ministry and the Japanese Ministry of International Trade and Industry (MITI); the other involves the French and Japanese boards representing each nation's major corporate manage-

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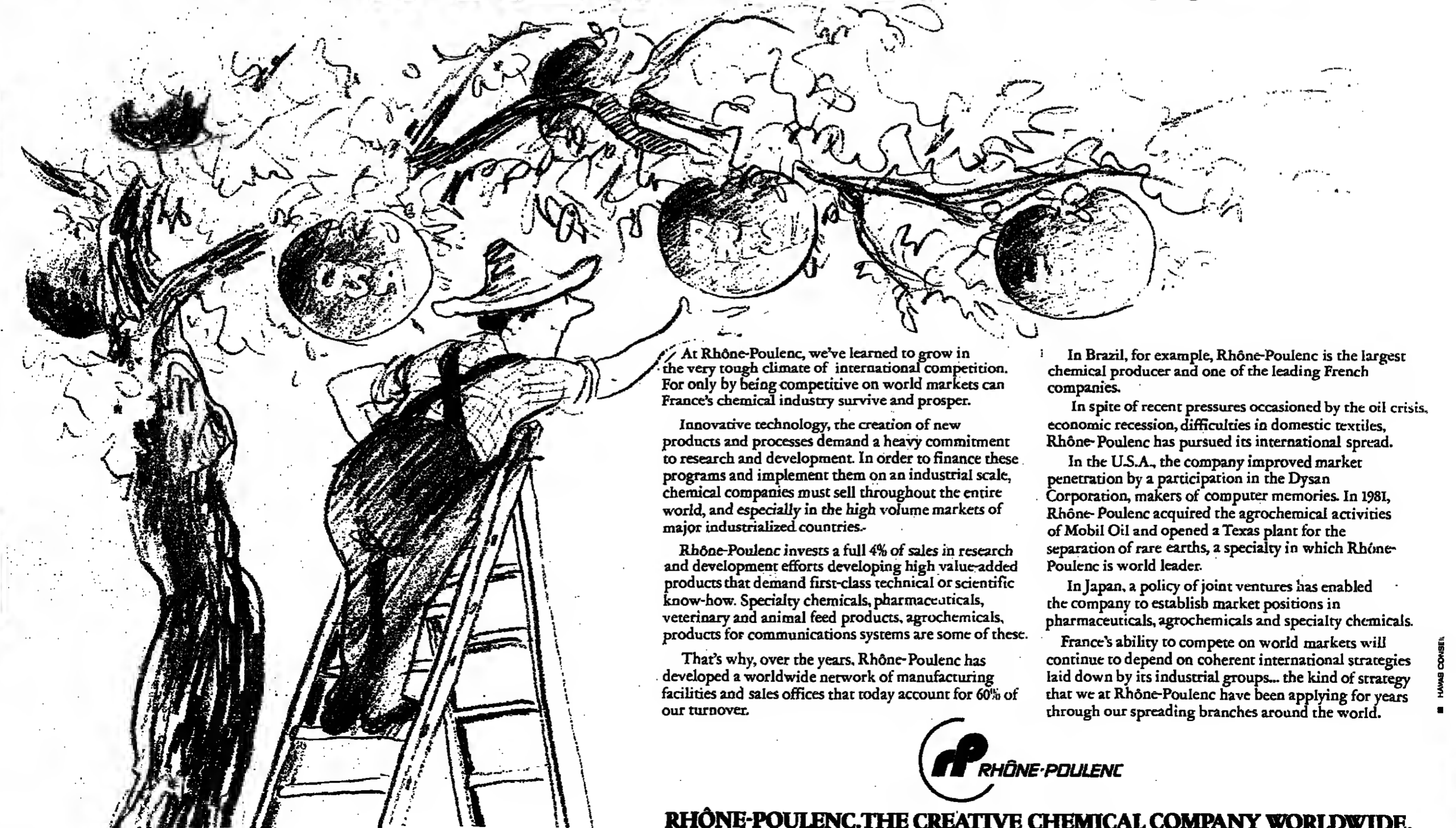
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PARIS — "I think any company going into France for the first time would absolutely have to have assistance from DATAR to be successful."

This appraisal from an executive of the Union Carbide Corp., which recently announced new investment plans in association with the state-controlled Elf-Aquitaine oil group, goes a long way to portray France's competent regional development agency.

With its team of specialized civil servants and professionals, DATAR provides potential investors with information on different possibilities and incentives available under the government's regional development program.

But DATAR is not interested in attracting "just any investment," an official responsible for foreign investments cautioned.

### New Technology

Indeed, foreign investments must bring a positive and coherent contribution to the overall regional development program, which is essentially aimed at the establishment of manufacturing facilities, particularly in new technology, and at the creation of new and permanent jobs, especially in priority zones.

The various incentives offered by France, apart from all the spade-work done by DATAR experts, are consistent with the regulations of the Common Market governing financial aid to foreign investors, the official maintained. "France complies with EC rules and regulations... Our aid system is clear and publicly known," he said.

Regional development aid granted by members of the European Economic Community must comply with certain rules such as the importance of the population concerned, the characteristics of the crisis area and ceilings on direct financial aid.

Bernard Attali, the head of DATAR, said that the government was planning to modify the system of aids in a bid to simplify and improve the existing mechanism.

### Two Criteria

Under the new system, expected to come into force next April, financial aid will be based on two criteria — regional employment and town planning — instead of six at present.

Aid for regional employment can go up to 20,000 francs per job.

It is intended to help small operations with up to 30 jobs. In the case of town planning, the ceiling will be doubled from the current level to 30,000 francs per job, with a maximum of 25 percent of the investment involved. Mr. Attali pointed out that credits earmarked this year for such aids were raised by 62 percent to 1.3 billion francs from 800 million in 1981.

The importance of foreign investments in France's industrial restructuring process is acknowledged by the government. In the last 10 years, foreign investments helped to create about 100,000 jobs in the provinces, 43 percent of these by U.S. firms, Mr. Attali said.

Last year, 60 foreign firms announced plans to invest in France. They are expected to create about 12,000 jobs, with 27 firms and 7,000 jobs involving U.S. enterprises.

What is more, about 60 percent of the new investment decisions were made during the last six months of 1981 — under the Socialist administration — an official remarked.

DATAR officials decline to talk about foreign investment projects under consideration. "There are no less and no more" than a year ago, an official said.

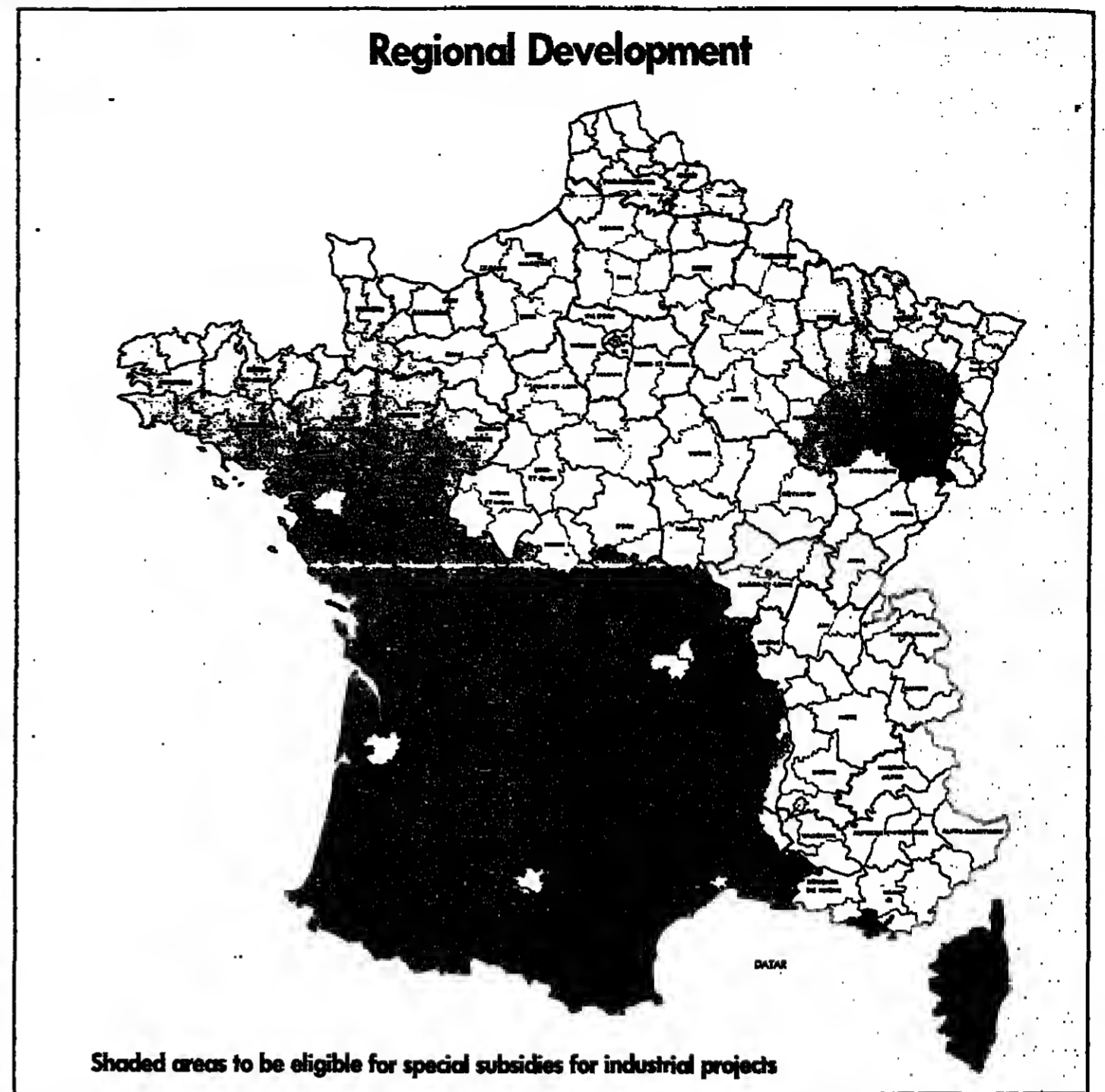
### Information

Apart from government aid, regional grants and tax reliefs, DATAR provides potential investors with wide-ranging and invaluable information. This includes in-depth studies for plant locations best suited to the project involved, labor availability and adaptability, training schemes, research centers, wages and other charges, housing and living costs, schools and universities, recreational facilities, and so on.

The agency also supplies data, with maps and charts, of the area's transportation network such as highways, rail, air, inland waterways and ports, as well as communications facilities, utilities and the industrial environment.

Since its establishment nearly 20 years ago, DATAR has expended considerable effort in the provinces to improve the regional infrastructure, notably in areas of transportation, communications and telecommunications. It has also improved the education, training and research facilities, and developed industrial zones.

To help it carry out its assignment of attracting foreign invest-



Shaded areas to be eligible for special subsidies for industrial projects

tors, DATAR has set up 10 overseas units, three of which are in the United States — New York, Chicago and Los Angeles. The others are in Japan, West Germany, Britain, Spain, Italy, Switzerland and Sweden.

### Overseas Branches

The mission of overseas branches is to inform potential investors in Europe of the advantages offered by France, which, apart from

various incentives, include the size and growth prospects of its market, its geographical location and its privileged position with the African continent and the Middle East.

Information on potential investors is relayed immediately to DATAR headquarters, which, in turn, informs other ministries likely to be concerned with the project. DATAR comes under the authority of the Planning Ministry, headed by Michel Rocard.

When the talks reach a fairly advanced stage and the site is agreed upon, the company sends a task force for an on-the-spot investigation and further talks with the regional authorities. An average of between 12 to 18 months elapses between the first contact made abroad and the final decision.

### Services Free

"Our job is similar to that of a consultant except that our services

are free of charge," a DATAR official said.

Apart from the obvious strict confidentiality, potential investors now have one extra assurance: the often-heard complaints of administrative red tape and bureaucracy have been reduced to a minimum.

"All administrations involved have received instructions to that effect... The pile of dossiers on government desks has all but disappeared," the official said.

— JACK ABOAF

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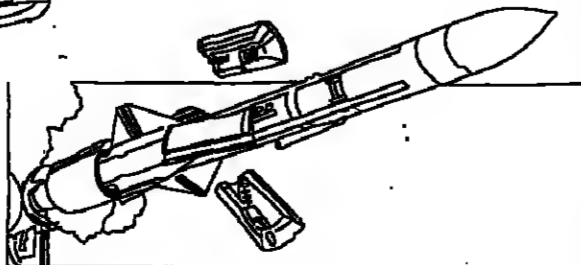
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## Investment in France

## Grenoble Rates High With Hewlett-Packard

By Alan Tillier

**G**RENOBLE — David Rose, general manager of the Hewlett-Packard plant in Grenoble, has a stunning view from his desk of the snow-capped Alps a few kilometers away. "Our plants tend to be in attractive places — Colorado, California and the like," said Mr. Rose, an Englishman. "Grenoble is in the same league. In fact, this area is a bit like California, with its openness to new ideas. It's a bubbling place and there's lots of innovation here."

Hewlett-Packard has been in Grenoble since the beginning of the 1970s making computer terminals, computers and repairing boards. It is putting up a \$10-million building next to the existing one in the Grande Plaine area, a new residential and industrial complex in the Grenoble suburbs. And it has taken an option until 1985 on a 150-acre site at L'Isle d'Abeau, a new town for industry already functioning next to the Lyons airport, an hour's drive from Grenoble. This decision was made after the election in May.

Bill Hewlett, one of the founders of the company (50,000 employees worldwide, 4,000 products in business, industry, engineering, science, medicine and education) is a keen skier, and this counted somewhat in his decision to pick Grenoble, a former site of the Winter Olympics.

Mr. Hewlett and the mayor of Grenoble, U.S.-educated engineer Hubert Dubedout, hit it off, and the result has been a \$40-million investment in France with 820 employees in Grenoble and 220 more in the sales force.

Mr. Hewlett's love of the slopes was not the determining factor, of course. Grenoble is near Geneva, the company's European administrative headquarters. Geneva's international airport and the later rapidly expanding Lyons airport provided the means of moving large quantities of supplies in and out.

Grenoble had the industrial framework for a company like Hewlett-Packard, and an exceptional backup with its university and specialized higher institutes for electronics and computer sciences.

Karl Schwarz, then the general manager for Hewlett-Packard, said of the start-up: "The existence of several other large American companies such as Caterpillar and Bechtel-Dickinson provided reassurance that the community had the necessary infrastructure to support the requirements of multinational companies. Then the city made available a choice parcel of land. This greatly simplified long-range planning as it virtually guaranteed that the company would not have to move because of expansion." Hewlett-Packard is not only expanding on its present site and at L'Isle d'Abeau but has other projects for France.

Franco Mariotti, Geneva-based

vice president and general manager for Europe, says that he wants to expand in France and that the Socialist government poses no problems. The French operation had a 1981 turnover of 1.45 billion francs, and is closely associated with the French Thomson electronics group. Growth has been at an annual rate of 40 percent, although this is lower now because of the recession. Exports from Grenoble run close to 500 million francs.

Grenoble is a special investment case. Its industrial tradition and its leftist political coloring meant that until May of last year it remained outside the zone of special government aids. It is the kind of city that even now is not going to receive the \$8,000-plus arrangement for each new job.

But like many regions in the Rhone-Alpes it offers skills and environmental attractions. "There is never any difficulty in persuading a Parisian to leave the capital for Grenoble," a Hewlett-Packard executive said. There is also the intellectual stimulus of products conceived in Grenoble and marketed throughout the world. This city also has 30,000 students in a population of 400,000, six engineering schools and 450 engineering graduates each year. An advertisement for a Grenoble job draws at least 50 replies.

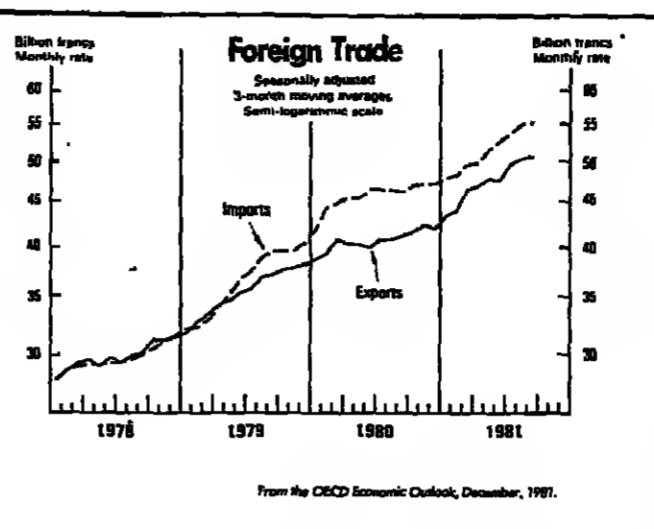
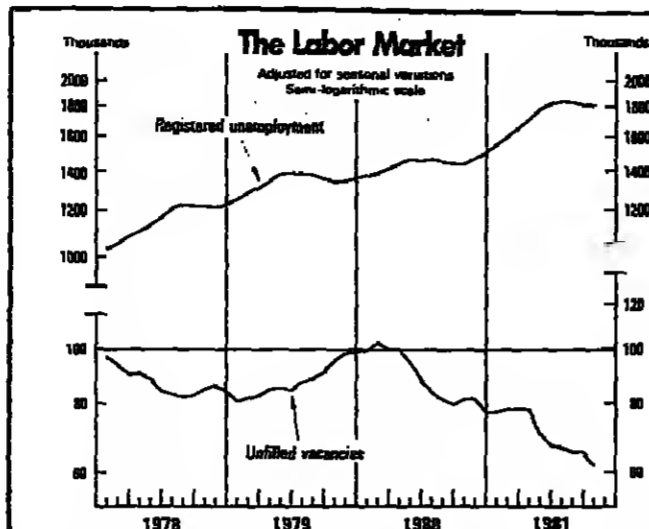
Hewlett-Packard has been in Western Europe for 22 years, and the area has become the second-largest market after North America. As demand for material and service grows, Hewlett-Packard increasingly encourages all its manufacturing plants to develop new products.

Since its opening, Hewlett-Packard Grenoble has specialized in data collection products. An executive explained: "Grenoble has a worldwide responsibility for researching, developing and manufacturing. We have created a whole new series of data capture terminals, starting from zero."

Grenoble is both an ideas and production center, and a terminal developed in Grenoble could be produced in Puerto Rico. French Research and Technology Minister Jean-Pierre Chevènement has been in Grenoble to stress the importance he attaches to collaboration between university and industry.

The local offices of the BIEN (for the Office for the Implantation of New Enterprises) provided "invaluable services," in the words of a Hewlett-Packard executive, in meeting key members of the community. BIEN helped smooth legal and procedural problems.

Grenoble provides its own incentives outside of grants from DATAR, the national government's regional development agency. These are based upon the attraction of scientific and intellectual skills and the fact that a manufacturing unit in France is well placed for export to the rest of the Common Market.



## EEC Taking a Close Look at French Policies

By Craig Anderson

**B**RUSSELS — French Prime Minister Pierre Mauroy will face some searching questions when he visits the European Commission here on March 5.

According to a recent statement by the commission, discussions between Mr. Mauroy and the 14 EEC commissioners will concentrate on the "principal aspects of the French government's economic and social policies." The meeting will be the latest in a series of intense consultations between the European Commission and the Paris administration that have taken place at all levels since France's new industrial policy began to take effect.

Although several Common Market countries have already expressed suspicions that the new French measures to aid national investment and boost domestic industries may be little more than a thinly veiled attempt to elbow out competition from other EEC countries, the Brussels commission has maintained a low profile. Nevertheless, almost daily discussions in Paris and Brussels have taken place for several months.

Increasing attention is being paid to events in France by commission officials, particularly those working in the EEC's competition department. The man who is responsible for this major field of EEC policy, former Dutch Finance Minister Frans Andriessen, recently paid a surprise visit to Paris for talks with President Francois Mitterrand.

With the Mitterrand government now preparing its major program to encourage investment in France, Mr. Andriessen's officials are keeping a close watch on developments to ensure that the investment carrots that may be dangled to stimulate investment in the country do not run contrary to the EEC's strict rules on competition.

Under the Treaty of Rome, which serves as the basis of Common Market law, state aids are officially prohibited, whatever their purpose. In the present economic climate, however, the commission knows that it has to be flexible in implementing this rule.

In an important policy speech last year, Mr. Andriessen stated

that certain types of state aids would be looked upon favorably by the commission. These included government schemes to help finance energy conservation measures or action by firms to combat the environmental consequences of their activities. State aids in the field of research and development — particularly in the fast-expanding areas of biotechnology and microelectronics — would also be treated more tolerantly by the commission.

Mr. Andriessen underlined at the same time, however, that the commission intended to crack down on unauthorized state aids, and evidence of this tougher stand is already emerging. Last year, the commission launched more investigations than ever before into national subsidy schemes for industry.

The EEC Commission's newly published work program for 1982 states that "the commission sup-

ports aid for advanced technology, research and development, energy and raw materials savings and environmental protection, provided the aids are really necessary and the investment depends on them. But the commission is planning to scrutinize them more strictly since, although they do help to make European industry more competitive in the world, they can cause substantial distortions in the internal market."

The plans of the French administration will therefore have to undergo full-scale vetting by the commission if Mr. Mitterrand is to avoid confrontation with the EEC authorities. As specific techniques on how to stimulate investment are decided upon, the Paris-Brussels negotiations are likely to intensify and may become increasingly controversial.

Commission officials underline that the lack of any detailed proposals from France makes it impossible at this stage to judge

whether the country's plans will run contrary to the competition rules.

President Mitterrand has stressed in recent months that France will stick by its treaty obligations in implementing its industrial program. Observers in other EEC member states are not so sure.

The president of West Germany's Bundesbank, Karl Otto Poehl, recently described the French program as "contrary to the spirit and the letter of the Rome Treaty." Clearly, therefore, there is mounting pressure on the commission to examine every element of the plans with a fine-tooth comb.

As a result, the French administration has little alternative besides involving the commission as a "silent partner" at every state of development of the new industrial strategy. Failure to accept this fact, as Mr. Mitterrand knows, can only lead to a major clash between Paris and Brussels.

## Potential Investors Check Social, Economic Climate

(Continued from Page 75)

executives. "Foreign investors, who own some 20 percent of the nationalized firms and banks, are entitled to ask what is going to protect them from further nationalizations in the future," Mr. Welton said.

Foreign banks in France, which barely slipped through the net of nationalizations, are not expected to venture into further expansion for some time, a U.S. banker said.

Herve de Cramoy, general manager for Midland Bank Ltd., remarked that France had always treated foreign banks with "great correctness," and that they would continue to play a positive role.

Another complaint expressed by several foreign participants at the conference involved the French personal income tax system, which also touches revenues generated abroad. A corporate executive said that it was a real drawback that often weighed heavily in the choice of a country, especially if a company wants to set up its European headquarters.

The business tax, inherited from the previous administration, is also seen as a negative factor, given its direct impact on production costs. Ford France, which recently announced a major new investment, is particularly hurt by the business tax, according to its president, Rudolph H. Boniface.

**JOSEPH FITCHETT, KATHERINE KNORR and AXEL KRAUSE** are members of the IHT's editorial staff.

**JACK ABOAF** is the former chief of the AP-Dow Jones bureau in Paris.

**LINDA BERNIER and ALAN TILLIER** are free-lance journalists based in Paris.

**CRAIG ANDERSON** is a free-lance writer based in Brussels.

He pointed out that the tax was expected to boost the cost for each automatic transmission produced at the company's Bordeaux unit by about 3.8 percent this year from 1.1 percent in 1980.

Why did Ford select France for its new investment? "We had been more than satisfied with the per-

*"I have observed that this government is sincerely making an effort to attract investment."*

formance of our existing Bordeaux operations ... The quality of the production was exemplary and we enjoyed a strife-free relationship with our work force and all government entities," Mr. Boniface said.

"Although I join the ranks of those concerned about the possible negative impact of some of the government's new measures, I have observed that this government is sincerely making a concerted, sincere and creative effort to attract foreign investment," he added.

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## Arabs Reduce Flow of New Investments

By Linda Bernier

PARIS — The election of a Socialist government came somewhat as a surprise to many oil-rich Arabs who during the last few years have been investing billions of francs in real estate and banks and, to a limited extent, in stocks and industrial ventures in France.

The elections, coupled with what is seen as an uncertain economy resulting from Socialist policies as well as investment competition from abroad, have slowed Arab investment in France considerably, according to knowledgeable bankers, investment advisers and analysts.

There has been no significant disinvestment or removal of petromoney from France. But, as Lucien Dahdah, a director of the Middle East Economic Digest (MEED), said, "there has been a small hold on new investment."

A Saudi farm investment near Nice, for example, was postponed because of the change in government, as was the planned Saudi-Kuwait takeover of a bank in Paris, according to a banker who asked not to be identified.

### "Some Concern"

Mr. Dahdah, formerly a foreign minister of Lebanon and head of a large Arab investment firm, said that "there was some concern in the beginning (of the new administration) because these Arab countries are conservative and they were used to dealing with a conservative government."

Among some of the concerns of Arab investors are the stability of the franc and the possibility of another devaluation, fiscal measures such as the wealth tax, the nationalization of major industries and banks, and the possibility of government intervention and restriction of free competition.

Another concern of Arab investors is French foreign policy in the Middle East. Although there was some apprehension because of past statements and sympathies that a Socialist government would adopt a pro-Israel policy, so far analysts say the feeling is that France has adopted a balanced policy.

Both French government officials and representatives of Arab interests, of course, deny reports that there has been Arab pressure on French policy in the Middle East. But many do not deny the negative effect on Arab investment that a perceived pro-Israel policy would have.

According to an important Arab investment adviser, who preferred

to remain anonymous, "there is no question that there is pessimism about strengthening the French economy in the medium-term. The first priority today is employment, not growth, nor strengthening the franc and balance of payments. There has been a fundamental philosophical change. The goals of the investor and the government are incompatible."

### Special Efforts

The government, conscious that its economic program might scare away existing or potential investment from abroad, has made special efforts to convince foreign investors that the new economic program will not be disadvantageous to them.

To encourage Arab investment in French stocks and bonds, for example, the government recently signed agreements with Kuwait and Saudi Arabia, as with other countries, that will abolish the 25-percent withholding tax on interest earned from stocks and bonds. The government has also reduced the tax from 38 percent to 5 percent on interest accrued from domestic franc holdings of nonresidents.

According to one banker, most Arab investors have been "more or less reassured by the government and feel politics have been more to the center than they had expected." Other analysts, however, believe more time is needed to persuade investors that the economic climate in France will continue to be attractive to them.

What should encourage Arab investors is that contracts between Arab states and French companies have substantially increased since May, 1981, said Mr. Dahdah of MEED.

Arab investment in France, while estimated at several billion dollars, is still not as important as in the United States and other countries. And if there is currently little investment activity in France, said Talat Othman, general manager of the Al Saudi Bank in Paris, it is perhaps because investment prospects in the United States and the Far East are far more attractive.

### Banking Activities

Arab banking activities in France, for the most part, have been continuing as usual.

Total nonresident deposits in French banks have even increased — from 56.5 billion francs from January to November, 1980, to 76 billion francs from January to November, 1981 — according to the Banque de France. Of course, as

some bankers noted, most of these deposits are in foreign currencies, which can be withdrawn at any time.

Officials at the Arab banking consortia Union de Banques Arabes et Francaises (UBAF) and Banque Arabe et Internationale d'Investissement (BAII), which have been operating with French nationalized banks for years, say further that nationalizations will not affect them. Officials at private Arab banks say that as long as the laws of the free market are respected they also will be unaffected.

A few banks, such as the Banque Arabe Privee and the Saudi European Bank have increased their capitalization since the Socialist victory — the former from 15 million to 30 million francs, the latter from 10 million to 20 million.

As for lending activities, "France is still one of the 10 best credits in the world," said Robert Sursock, vice president of the BAII.

If there had been a slowdown in French note issues, said a banker who asked not to be identified, "it was primarily because there was concern that the franc will be devalued."

There are those who say that France's push to become a leading financial center came to a halt when the Socialists took office. They point out that not one Arab bank was established in Paris last year while three were established both in 1980 and 1979, bringing the total number of Arab banks to 33, with a capital stock of about 55 billion francs, according to the Banque de France.

Others, however, say that the market for Arab banks might be saturated and that existing French credit laws have always precluded France from becoming a leading financial center.

While Arab investment in French stocks and industrial ventures has slowed down — one reason, some say, is that the most interesting investments for them have been nationalized — they have never been significant.

What has been more significant is Arab investment in real estate, which has also slowed considerably. Purchases of luxury apartments in Paris and villas on the Cote d'Azur have come to a virtual standstill, and there have even been a few sales, according to real estate experts.

Paul Masse, director of the center of real estate analysis and forecasts, CAPEM, in Paris, blames the poor real estate market on the lack of confidence in the govern-

ment and certain of its economic measures.

"For the moment," said Michael Fagot of the French association of real estate agents, FNAIM, "it's wait and see."

According to some investment advisers, however, now is the time to buy real estate, particularly for those holding dollars, or petrodollars. With the exchange rate at about six francs to the dollar and a very soft real estate market, properties are 40 to 50 percent cheaper than they were two years ago, a banker said.

As for wealth taxes, he noted that they exist in other Western European countries and are often higher than in France. "What is a 10,000-franc tax to someone who can afford a 5-million-franc property, or a 60,000-franc tax on a 10-million-franc property?" he asked.

## Industrial-Sector Jobs Created by Investment From Abroad

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	Combined
U.S.	3,715	3,152	4,455	2,390	2,420	2,313	3,539	4,596	4,621	3,763	6,859	41,823
W.GER.	3,050	3,820	5,705	3,130	470	730	520	3,600	2,693	2,459	1,843	28,020
BRIT.			1,125	1,440	1,365	310	540	832	1,116	1,475	532	8,735
SPAIN				92	235	365	160	500	120	408		1,890
SWIT.			710	950	630		275	453	665	1,850	362	5,895
BENEL.						215	1,323	1,170	1,210	378	261	4,557
SCAND. & FIN.				20	50	215	449	180	347	407	290	1,938
ITALY						460	975	400	184	296	530	2,845
CANADA							310			550	900	1,760
JAPAN						60	30	150	330	180	300	1,050
OTHER				170	130	10		30	470	80		890
TOTALS	6,765	6,972	11,995	8,192	5,300	4,678	8,121	11,911	11,736	11,846	11,877	99,413

## Rank Xerox Lets Its Money Ride on the Industrial North

LILLE — Rank Xerox is sticking with an industrial-university region, the north of France, which now has the added benefit of having the longtime mayor of Lille, Pierre Mauroy, as the prime minister of France.

Mr. Mauroy is not handing out large sums of extra francs to those wishing to set up or expand in his area, but "good citizens" like Rank Xerox established in Lille since the early 1970s see their dossiers and demands quickly approved.

The result is that the U.S.-British office equipment giant is pumping another 100 million francs into investment in the Lille area, a decision taken late last year, well after the French elections. The company is going to convert its plant, currently engaged in repairing copiers and other office equipment, into France's first joint production unit for electronic typewriters and office automation.

For the regional authorities, it means that the 700 jobs at Rank Xerox, Lille, will be protected. For the national government, it means that the growing national trade deficit in office equipment and automation will be reduced. This deficit has reached 2 billion francs, and risked tripling by 1985. For the company, it means generous start-up aid, the chance to attack a large interior market and the possibility to compete with Olivetti on a European scale.

Above all, the French government's plan to encourage the whole office automation equip-



New Rank Xerox plant at Neuville-en-Ferrain

ment sector meshes with that of Rank Xerox for a new European factory to produce a range of new products for the French, West German and other expanding Western European markets. The company wants to produce not only electronic typewriters, but floppy disc items, printers, 820 small computers and more. There will be continued imports of components from Texas and California after the spring launching of the new Lille plant, but from 1983 production will be local.

Bernard Fournier, who is in charge of Rank Xerox operations in France, said: "We decided to move into France in 1972 and chose Lille for a number of reasons. It is a highly industrial region with many skilled workers. It is near the ports, has daily flights to Britain, where we have a large op-

eration, and is also near to Holland, where we have another. The presence of a major university is always an attraction for a company such as ours."

Lille general manager Louis Couque explained that DATAR, the government's regional development agency, gave an 8-percent refund on the investment, help with worker training and concessions with the license tax. It meant 10 million francs worth of aid for a total investment of 60 million francs.

The plant worked well for some years as a refurbishing center for Europe, but eventually business declined as sales matched rentals, office material generally became more solid and repairs were undertaken locally. It looked as though the Lille work force would be cut in half — hence the decision to re-

launch Lille as a center for office automation.

The Giscard and Mitterrand governments sought to help this sector, and Rank Xerox says: "We are naturally interested in participating in this officially-supported area."

This time, the company has not had European Economic Community credits, but French credits have been more generous than before. The new typewriter-office automation plant will cost about 100 million francs. In return for this commitment, Rank Xerox will receive 40 million francs worth of low-cost credits from the state-controlled Credit National bank, and 3 million francs worth per year of exemption-delay with the license tax. Also included are the same government aid for professional training and various aids for export. The government realizes that Rank Xerox and other foreign concerns are interested both in the large internal market and in neighboring countries.

This corresponds again to the French policy for not only the "recapturing" of the internal market in the face of foreign competition but, as Foreign Trade Minister Michel Jobert points out, "the recapturing of the European market by Europeans." Rank Xerox is not European, but it is regarded as such when it mounts and expands an operation such as Lille.

The company was impressed by the speed with which the stamp of approval was given. It hopes thus to maintain its recent 15-percent-a-

year growth in France, where the latest annual turnover was 2.23 billion francs.

Michel Delebarre, chief official at the Lille city hall and a leading aide of Prime Minister Mauroy, said: "This one went through quickly both here and at the Matignon (the prime minister's office), unlike some dossiers."

He added that the Lille region had been picked over the Nord-Pas de Calais for the original Rank Xerox investment because of quick decision-making and the appeal of an industrial framework combined with the presence of 50,000 students, many of them in electronics and similar fields.

Lille and other developed French regions continue to stress these attractions as EEC rules limit total cash aids to avoid cutthroat competition between countries. But there is still room for maneuver within the limits, notably the retraining of workers, and the French will be picking up part of this tab with Rank Xerox's last investment.

With the textile industry shedding 4,000 to 5,000 workers a year, Lille and its region are more than open to foreign investment. "We have no reticence over any investment," said M. Delebarre, who handles all investment matters in an area with a population of 1.2 million. "The Socialist victory on May 10 should not be a pretext against investment. We are ready to consider any dossier."

— ALAN TILLIER

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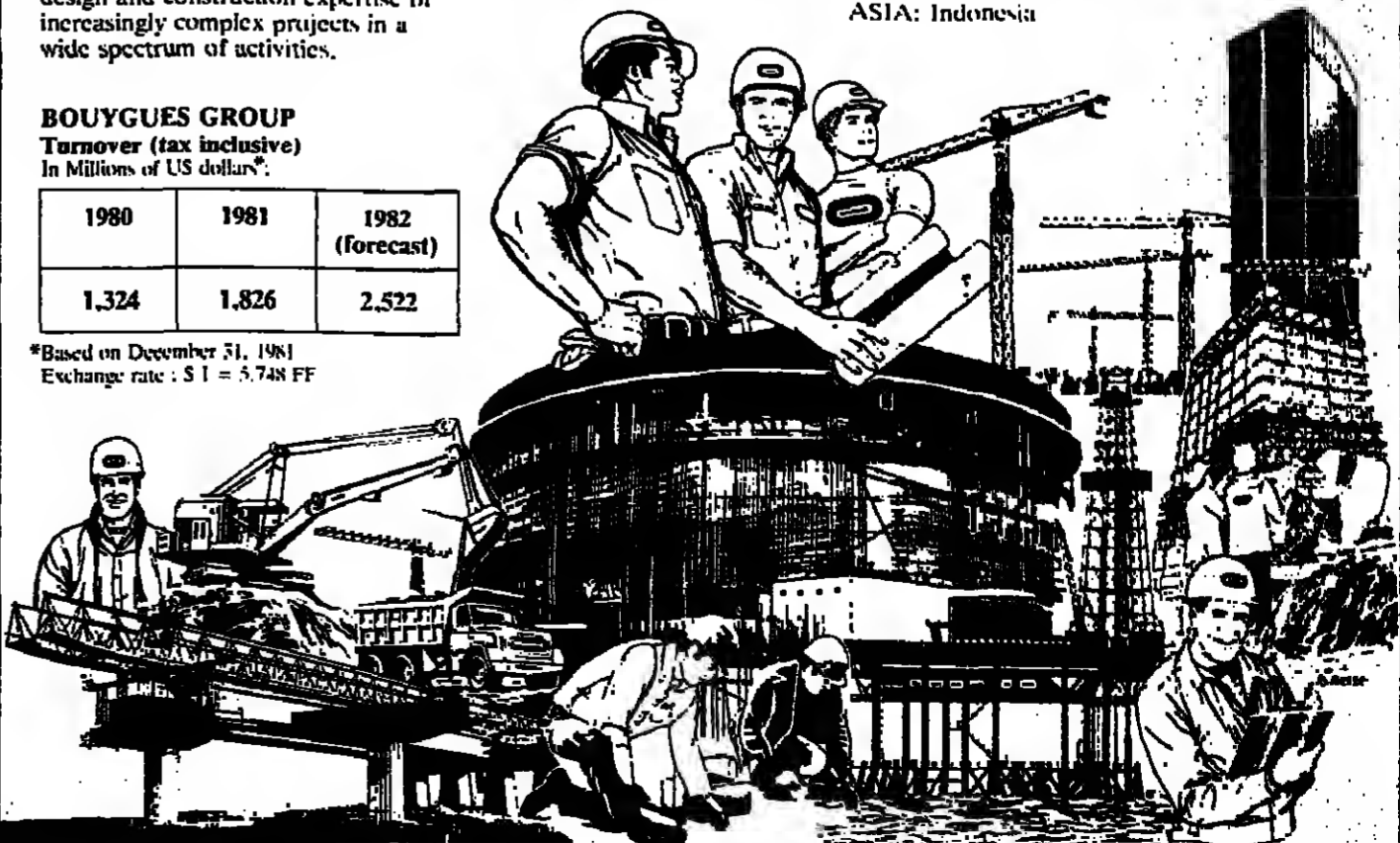
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Josephine Louis in the Garden Room of Winfield House.

## A Fresh Look for Winfield House

By Steven Rattner

New York Times Service

LONDON — The official headquarters of the United States ambassador to the Court of St. James's is an imposing, modern and boxy structure on Grosvenor Square, in the heart of the fashionable West End. In reality, however, vast amounts of embassy business are transacted about one mile to the north during an array of social events held at a stately, Georgian-style residence called Winfield House.

Winfield House has been refurbished through the years, both to mitigate the effects of the entertaining and to reflect the tastes of changing occupants.

Thus, the three-story, 35-room mansion is again being refurbished, in part because of the arrival of Ambassador John J. Louis Jr. and his wife, Josephine, a couple from Winnetka, Ill. Louis served as chairman of Combined Communications Inc. and is a relative of principals in the Johnson Wax Co. A \$160,000 effort, underwritten by the U.S. government, is now under way to refurbish the first-floor public rooms; the Louises are spending an undisclosed sum on the private areas.

"Redoing the house took quite a bit of time," Mrs. Louis said over tea in the Garden Room, the mansion's principal entertaining space. The room is notable for its 18th-century Chinese wallpaper, which once hung in Towseley Hall in Ireland.

What has made the redecorating effort by the Louises a bit different in the diplomatic world is the involvement of two well-known designers.

Twelve years ago, Walter H. Annenberg, the publisher, spent \$950,000 of his own money and \$50,000 of the government's to renovate the house. A key figure on the design team was Ted Graber, who has worked more recently with Nancy Reagan in redecorating the White House private quarters.

Once again, Graber has been involved in refurbishing Winfield House, this time as a consultant. It was

partly his advice that led Mrs. Louis not to make wholesale changes in the five public rooms.

Since the Louises began their tenure last May, more than 1,000 guests a month have been guests at breakfasts, luncheons, teas, receptions and dinners.

For the current remodeling, Mrs. Louis brought in Dudley Poplach, a South African who has master-minded renovations at the Prince and Princess of Wales' estate, Highgrove, in the Cotswolds.

In his design, Graber chose a different but traditional motif for nearly every room. For example, the Gold Room is in the style of Louis XV, with lots of gilded furniture. The State Dining Room is Georgian and filled with mahogany furniture, including a pair of George III bombe chests by Pierre Langlois.

The Reception Hall is dominated by four large painted columns and an enormous Regency chandelier.

Under Mrs. Louis's direction, perhaps the most substantial change in the public rooms has been in the art selection. Annenberg decorated the residence with works from his own collection and paintings by such artists as Renoir, Toulouse-Lautrec and Monet.

Past residents of Winfield House have borrowed their art collections, and the Louises, too, have borrowed, in their case from Wildenstein & Co. At the suggestion of Poplach, Max Harari, the head of Wildenstein's London office, invited the Louises to visit the New Bond Street gallery. There, they chose 13 paintings, mostly from the 18th and 19th centuries.

The Louises' favorite is "Glaçon sur l'Osse," a 1908 semi-impressionist work by Gustave Loiseau. It hangs over the fireplace in the family dining room, a cozy paneled room painted in green and white.

"Obviously, we couldn't immobilize \$2 million or \$3 million of pictures on loan," Harari said. But he added that the paintings selected for Winfield House would "not be sold while the Louises are there."

Winfield House was built in 1937 by Barbara Hinton, the U.S. heiress to the Woolworth fortune. The name came from that of her maternal grandfather, Frank Winfield Woolworth.

In 1946, she donated the mansion to the U.S. government, but because war-related shortages slowed its initial renovation to snail's pace, the first ambassador did not move in until 1954.

The residence occupies 12½ acres of Crown property, the site of a villa built in 1825 by the Marquis of Hertford. Its grounds comprised the 472 acres now known as Regent's Park. The villa burned in 1936.

Mrs. Louis has also supervised work on two upper floors, where she brightened rooms she considered somber. "I like rooms a bit brighter and cheerier," Mrs. Louis said. "I'm a color girl."

## Izumo: Wild Duck and Japan's Shinto Shrine

By Henry Scott Stokes

New York Times Service

IZUMO, Japan — One of the best-kept "secrets" from foreigners is that there are two quite different Japans. The first, like the Tokyo region, is dotted with factories, crisscrossed by bullet trains and ultramodern in appearance. The other is north of the east-west mountainous backbone of the main island of Honshu and faces the Korean peninsula. In this Japan there is little industry and the people are slow of pace, especially in winter. And winter, when the wild duck that is the specialty of the region appears on the tables of the country inn, is the time for a gourmet tour.

Few foreigners visit this part of Japan because there's not much to see — with one great exception. At Izumo there is the Shinto shrine dedicated to Okuninushi-no-mikoto, a deity traditionally thought to have introduced medicine, agriculture (raising of silkworms) and agriculture. The shrine, a landmark site of Japanese civilization dating to at least the seventh century, and probably a good bit earlier, contains buildings constructed mostly around 1874; the main shrine, which is surrounded by a double wooden fence, dates from 1744.

### Provincial Cuisine

For those who wish to inspect the shrine, visit the local ryokan, or traditional inn, and eat some of the best food in the land — as in France, the good cuisine is found in the provinces. The procedure is simple: Take a plane from Tokyo to Izumo airport, a journey that lasts just over an hour, and a 25-minute cab ride or somewhat longer bus trip (cabs cost close to \$20 for the ride) to Izumo village.

Shinto — literally, "the way of the gods" — is to the outsider an astonishing mixture of the sacred and the profane. On the spacious grounds of the Izumo shrine, just to one side of the avenue of aged pines that leads to one of Japan's holiest places, the priests have parked a big, black steam locomotive, a venerable workhorse of the first industrial revolution in Asia.

The locomotive is set there to attract children, but adults also swarm into its cab, pulling at its levers and murmuring in delight.

Shinto, a religion that lacks dogma or even holy writ, is very much a force to be reckoned with. Nearly 80 million Japanese swarmed to their local shrines on New Year's Day this year. Shinto is a religion that stresses such observances and it judges mankind by the criterion of works, not faith, like some branches of Christianity.

At Izumo one walks up the avenue of pines — the locomotive is parked on the left — and arrives in the shrine compound facing a prayer hall; the hall is impossible to miss because an enormous shimenawa, or sacred rope, is fastened to its front. Turn left at the rope and enter the concrete building, not a great beauty, that houses an



The roofs of the main shrine.

office and a museum with a collection of samurai swords.

The obligatory ritual that precedes a visit to the inner shrine — it can be seen clearly, towering up to the height of a seven-story building — is short and simple.

One removes his overcoat and a young woman attendant puts a white vestment over one's shoulders, a kind of doctor's coat in Western eyes. Then one stands by a running tap and dips one's hands briefly into the water over a sprig of freshly cut pine.

A priest then conducts one toward the sanctuary, a wooden structure marked by *chigi*, huge beams that stick askant into the sky from the roof of the building. Behind the sanctuary is a pine-covered hill known as Mount Yakumo, the Mountain of Eight Clouds. The 300-foot peak is considered as holy as the innermost shrine itself and no visitors are allowed to set foot there.

The purification ceremony that follows is a rare experience. A priest in full robes and shiny black bat stands in the West Corridor and waves a wand toward the shrine. White strips of paper inscribed with Shinto symbols are attached to the wand; they flutter as he moves. After chanting a spell and a prayer he turns and waves the wand toward the visitor. The visitor next places a sprig of *sakaki* ("sacred tree," *Cleyera japonica*) on a low altar under an eight-legged gate, stands back, claps four times and bows for a moment.

Behind, in the East Corridor a few yards away, another attendant waits with a cup of sake. She holds a kettle of the rice wine and pours it into an unglazed porcelain cup in the visitor's hand. The correct response is to drink up in one swoop — then to receive the cup, wrapped in white paper, as a souvenir. The whole ceremony lasts no more than five minutes.

Then a visitor is free to roam between the Inner Fence and the Sacred Fence, over a pebbled compound with flat grayish stones dominated by the sanctuary, the *chigi* striking up into gray winter skies.

Izumo is one of the holiest places in the land, second only to the grand shrine at Ise, where the emperor worships his legendary ancestor, Amaterasu Omikami, the sun goddess. At Ise no secular visitors are allowed inside the sanctu-

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ary, but at Izumo the tradition is more flexible, less mysterious, altogether more friendly. One has a close view of a shrine that marks the place of origin of the Japanese people, according to eighth-century chronicles. The chronicles denote Izumo as the habitation of the entire pantheon of Shinto gods, numbering many millions according to some accounts.

From Izumo it's a short ride on a slow train along the northern shores of Shinji Lake to Matsue, the "little Kyoto" of the region. The best place to stay is the Minami-kan, a ryokan that dates to 1889. The food is probably as good as one can get at the price — \$145 for two for an overnight stay with two astonishing meals — anywhere in Japan.

A recent dinner there included an array of sea bream stuffed with barley, lightly cured whitebait served *sashimi* style, and a fish wrapped in a brown paper parcel and tied with string before cooking.

A place to visit in Matsue — in addition to the towering wooden castle, a rare structure not destroyed by U.S. firebomb raids in 1944 and 1945, unlike almost all castles in the rest of Japan — is a museum devoted to Lafcadio Hearn (1850-1906), a British journalist who settled in the United States for 20 years, went to Japan in 1890 and made it his adopted home. The journalist and university professor — who became a Jap-

anese citizen and took the name Yakumo Koisumi — was probably the first Western visitor to explore the region around Izumo.

Hearn accomplished his dream of finding a home in Japan, after restless wandering in the United States, but he also earned the deep admiration of the Japanese; he is venerated to the point where each tiny souvenir — his monocle, the trousers he wore, his last letter — is prized.

Another stopping place, about 10 miles west of Matsue, is a *samurai* inn dating to the feudal Edo period. At the Yagumo Homjin, the Inn of the Eight Clouds, they serve the seasonal specialty, wild duck. A visitor is escorted into an inner room of the vast, rambling inn. There the duck is brought uncooked in a dish, sliced in fine pieces, a charcoal burner is set out and a big abalone shell placed on top. A fine stock is poured into the shell, where the visitor cooks the duck — supplied by hunters from the snow-covered mountains above the lake — and assorted greens. The duck lunch for two cost \$64.

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Stock market pyrotechnics are difficult to dismiss, many investors approach the over-the-counter market as apprehensively as a string quartet booked to play into a Greenwich Village dais. It's a matter of attitude, attitudes nurtured by myths. One evening, decades ago, the Prince of Wales (later Edward VII) went to dinner at London's Savoy Hotel, where his attention focused on an intriguing item on the menu: "Cuisse de Nymphe à la Déesse." He was told that "Nymphe" thighs at Déesse. The dish was served; the Prince abstained reflectively, then, demanded to know what he was eating. "From legs," announced the Chef. In those days, most Englishmen regarded the lovely frog as too vulgar to merit gastronomic obscurity, and so the impetuous chef who prepared the mythological diaphane waited for the Royal verdict. "Delicious," pronounced the Prince; and another unrepentable prejudice faded. From that night onwards, Nymphe thighs were ordered by the best people; and the chef, because renowned. He was, of course, George Escoffier. Our editors are gourmet gourmets, passing along tasty morsels, stressing that the greatest geometric gains in the stock market have been realized by companies that included as "cushion" shares. How many investors are cognizant of the fact that CONTROL DATA was public, cited the accounts at \$1 a share, and that DENISON MINING, catapulted from pennies to over \$100, adjusted for splits? Our current letter highlights two natural resource equities, both low priced and undisturbed, that could mature into prominence, additionally, we review possible take-over candidates on the N.Y.S.E., revealing how our two vendors profited the accounts of KARATON OIL and other special situations that proved rewarding to readers. For your complimentary copy of this report, please write to:



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BKT 9

## PORTNAX DEVELOPMENT LIMITED

Bid: U.S. \$2.25. Ask: U.S. \$2.50.

As of date: February 24, 1982.

**J. STOROVER & CO. (INC. 1818)**  
Member American Stock Exchange

Karlshorst 363 - 10117 NW Amsterdam - The Netherlands  
Tel.: 243095 - Fax: 162496

12 Month Price	Stock Low	High	Yield	Div.	P/E	Ratio	50 Day	100 Day	Close	Change
58/0	44	Kid	8.4	8.8	3	58	40	20	+	+
59/0	28/0	Kid	9/14	6.2	5.7	28	25/4	27/4	33	+ 1/8
60/0	19/0	Kid	1/8	6.2	5.7	19	15/4	17/4	22	+ 1/8
61/0	25/0	Kid	1/8	6.2	5.7	25	19/4	21/4	27	+ 1/8
62/0	31/0	Kid	1/8	6.2	5.7	31	23/4	25/4	33	+ 1/8
63/0	37/0	Kid	1/8	6.2	5.7	37	29/4	31/4	39	+ 1/8
64/0	43/0	Kid	1/8	6.2	5.7	43	35/4	37/4	45	+ 1/8
65/0	49/0	Kid	1/8	6.2	5.7	49	41/4	43/4	51	+ 1/8
66/0	55/0	Kid	1/8	6.2	5.7	55	47/4	49/4	57	+ 1/8
67/0	61/0	Kid	1/8	6.2	5.7	61	53/4	55/4	63	+ 1/8
68/0	67/0	Kid	1/8	6.2	5.7	67	59/4	61/4	69	+ 1/8
69/0	73/0	Kid	1/8	6.2	5.7	73	65/4	67/4	75	+ 1/8
70/0	79/0	Kid	1/8	6.2	5.7	79	71/4	73/4	81	+ 1/8
71/0	85/0	Kid	1/8	6.2	5.7	85	77/4	79/4	87	+ 1/8
72/0	91/0	Kid	1/8	6.2	5.7	91	83/4	85/4	93	+ 1/8
73/0	97/0	Kid	1/8	6.2	5.7	97	89/4	91/4	99	+ 1/8
74/0	103/0	Kid	1/8	6.2	5.7	103	95/4	97/4	105	+ 1/8
75/0	109/0	Kid	1/8	6.2	5.7	109	101/4	103/4	111	+ 1/8
76/0	115/0	Kid	1/8	6.2	5.7	115	107/4	109/4	117	+ 1/8
77/0	121/0	Kid	1/8	6.2	5.7	121	113/4	115/4	123	+ 1/8
78/0	127/0	Kid	1/8	6.2	5.7	127	119/4	121/4	129	+ 1/8
79/0	133/0	Kid	1/8	6.2	5.7	133	125/4	127/4	135	+ 1/8
80/0	139/0	Kid	1/8	6.2	5.7	139	131/4	133/4	141	+ 1/8
81/0	145/0	Kid	1/8	6.2	5.7	145	137/4	139/4	147	+ 1/8
82/0	151/0	Kid	1/8	6.2	5.7	151	143/4	145/4	153	+ 1/8
83/0	157/0	Kid	1/8	6.2	5.7	157	149/4	151/4	161	+ 1/8
84/0	163/0	Kid	1/8	6.2	5.7	163	155/4	157/4	169	+ 1/8
85/0	169/0	Kid	1/8	6.2	5.7	169	161/4	163/4	171	+ 1/8
86/0	175/0	Kid	1/8	6.2	5.7	175	167/4	169/4	179	+ 1/8
87/0	181/0	Kid	1/8	6.2	5.7	181	173/4	175/4	187	+ 1/8
88/0	187/0	Kid	1/8	6.2	5.7	187	179/4	181/4	193	+ 1/8
89/0	193/0	Kid	1/8	6.2	5.7	193	185/4	187/4	199	+ 1/8
90/0	199/0	Kid	1/8	6.2	5.7	199	191/4	193/4	205	+ 1/8
91/0	205/0	Kid	1/8	6.2	5.7	205	197/4	199/4	211	+ 1/8
92/0	211/0	Kid	1/8	6.2	5.7	211	203/4	205/4	217	+ 1/8
93/0	217/0	Kid	1/8	6.2	5.7	217	209/4	211/4	223	+ 1/8
94/0	223/0	Kid	1/8	6.2	5.7	223	215/4	217/4	229	+ 1/8
95/0	229/0	Kid	1/8	6.2	5.7	229	221/4	223/4	231	+ 1/8
96/0	235/0	Kid	1/8	6.2	5.7	235	227/4	229/4	239	+ 1/8
97/0	241/0	Kid	1/8	6.2	5.7	241	233/4	235/4	247	+ 1/8
98/0	247/0	Kid	1/8	6.2	5.7	247	239/4	241/4	251	+ 1/8
99/0	253/0	Kid	1/8	6.2	5.7	253	245/4	247/4	259	+ 1/8
100/0	259/0	Kid	1/8	6.2	5.7	259	251/4	253/4	267	+ 1/8
101/0	265/0	Kid	1/8	6.2	5.7	265	257/4	259/4	271	+ 1/8
102/0	271/0	Kid	1/8	6.2	5.7	271	263/4	265/4	283	+ 1/8
103/0	277/0	Kid	1/8	6.2	5.7	277	269/4	271/4	291	+ 1/8
104/0	283/0	Kid	1/8	6.2	5.7	283	275/4	277/4	299	+ 1/8
105/0	289/0	Kid	1/8	6.2	5.7	289	281/4	283/4	307	+ 1/8
106/0	295/0	Kid	1/8	6.2	5.7	295	287/4	289/4	315	+ 1/8
107/0	301/0	Kid	1/8	6.2	5.7	301	293/4	295/4	323	+ 1/8
108/0	307/0	Kid	1/8	6.2	5.7	307	299/4	301/4	331	+ 1/8
109/0	313/0	Kid	1/8	6.2	5.7	313	305/4	307/4	339	+ 1/8
110/0	319/0	Kid	1/8	6.2	5.7	319	311/4	313/4	347	+ 1/8
111/0	325/0	Kid	1/8	6.2	5.7	325	317/4	319/4	355	+ 1/8
112/0	331/0	Kid	1/8	6.2	5.7	331	323/4	325/4	363	+ 1/8
113/0	337/0	Kid	1/8	6.2	5.7	337	329/4	331/4	371	+ 1/8
114/0	343/0	Kid	1/8	6.2	5.7	343	335/4	337/4	379	+ 1/8
115/0	349/0	Kid	1/8	6.2	5.7	349	341/4	343/4	387	+ 1/8
116/0	355/0	Kid	1/8	6.2	5.7	355	347/4	349/4	395	+ 1/8
117/0	361/0	Kid	1/8	6.2	5.7	361	353/4	355/4	403	+ 1/8
118/0	367/0	Kid	1/8	6.2	5.7	367	359/4	361/4	411	+ 1/8
119/0	373/0	Kid	1/8	6.2	5.7	373	365/4	367/4	419	+ 1/8
120/0	379/0	Kid	1/8	6.2	5.7	379	371/4	373/4	427	+ 1/8
121/0	385/0	Kid	1/8	6.2	5.7	385	377/4	379/4	435	+ 1/8
122/0	391/0	Kid	1/8	6.2	5.7	391	383/4	385/4	443	+ 1/8
123/0	397/0	Kid	1/8	6.2	5.7	397	389/4	391/4	451	+ 1/8
124/0	403/0	Kid	1/8	6.2	5.7	403	395/4	397/4	459	+ 1/8
125/0	409/0	Kid	1/8	6.2	5.7	409	401/4	403/4	467	+ 1/8
126/0	415/0	Kid	1/8	6.2	5.7	415	407/4	409/4	475	+ 1/8
127/0	421/0	Kid	1/8	6.2	5.7	421	413/4	415/4	483	+ 1/8
128/0	427/0	Kid	1/8	6.2	5.7	427	419/4	421/4	491	+ 1/8
129/0	433/0	Kid	1/8	6.2	5.7	433	425/4	427/4	499	+ 1/8
130/0	439/0	Kid	1/8	6.2	5.7	439	431/4	433/4	507	+ 1/8
131/0	445/0	Kid	1/8	6.2	5.7	445	437/4	439/4	515	+ 1/8
132/0	451/0	Kid	1/8	6.2	5.7	451	443/4	445/4	523	+ 1/8
133/0	457/0	Kid	1/8	6.2	5.7	457	449/4	451/4	531	+ 1/8
134/0	463/0	Kid	1/8	6.2	5.7	463	455/4	457/4	539	+ 1/8
135/0	469/0	Kid	1/8	6.2	5.7	469	461/4	463/4	547	+ 1/8
136/0	475/0	Kid	1/8	6.2	5.7	475	467/4	469/4	555	+ 1/8
137/0	481/0	Kid	1/8	6.2	5.7	481	473/4	475/4	563	+ 1/8
138/0	487/0	Kid	1/8	6.2	5.7	487	479/4	481/4	571	+ 1/8
139/0	493/0	Kid	1/8	6.2	5.7	493	485/4	487/4	579	+ 1/8
140/0	499/0	Kid	1/8	6.2	5.7	499	491/4	493/4	587	+ 1/8
141/0	505/0	Kid	1/8	6.2	5.7	505	497/4	499/4	595	+ 1/8
142/0	511/0	Kid	1/8	6.2	5.7	511	503/4	505/4	603	+ 1/8
143/0	517/0	Kid	1/8	6.2	5.7	517	509/4	511/4	611	+ 1/8
144/0	523/0	Kid	1/8	6.2	5.7	523	515/4	517/4	619	+ 1/8
145/0	529/0	Kid	1/8	6.2	5.7	529	521/4	523/4	627	+ 1/8
146/0	535/0	Kid	1/8	6.2	5.7	535	527/4	529/4	635	+ 1/8
147/0	541/0	Kid	1/8	6.2	5.7	541	533/4	535/4	643	+ 1/8
148/0	547/0	Kid	1/8	6.2	5.7	547	539/4	541/4	651	+ 1/8
149/0	553/0	Kid	1/8	6.2	5.7	553	545/4	547/4	659	+ 1/8
150/0	559/0	Kid	1/8	6.2	5.7	559	551/4	553/4	667	+ 1/8
151/0	565/0	Kid	1/8	6.2	5.7	565	557/4	559/4	675	+ 1/8
152/0	571/0	Kid	1/8	6.2	5.7	571	563/4	565/4	683	+ 1/8
153/0	577/0	Kid	1/8	6.2	5.7	577	569/4	571/4	691	+ 1/8
154/0	583/0	Kid	1/8	6.2	5.7	583	575/4	577/4	699	+ 1/8
155/0	589/0	Kid	1/8	6.2	5.7	589	581/4	583/4	707	+ 1/8
156/0	595/0	Kid	1/8	6.2	5.7	595	587/4	589/4	715	+ 1/8
157/0	601/0	Kid	1/8	6.2	5.7	601	593/4	595/4	723	+ 1/8
158/0	607/0	Kid	1/8	6.2	5.7	607	599/4	601/4	731	+ 1/8
159/0	613/0	Kid	1/8	6.2	5.7	613	605/4	607/4	739	+ 1/8
160/0	619/0	Kid	1/8	6.2	5.7	619	611/4	613/4	747	+ 1/8
161/0	625/0	Kid	1/8	6.2	5.7	625	617/4	619/4	755	+ 1/8
162/0	631/0	Kid	1/8	6.2	5.7	631	623/4	625/4	763	+ 1/8
163/0	637/0	Kid	1/8	6.2	5.7	637	629/4	631/4	771	+ 1/8
164/0	643/0	Kid	1/8	6.2	5.7	643	635/4	637/4	779	+ 1/8
165/0	649/0	Kid	1/8	6.2	5.7	649	641/4	643/4	787	+ 1/8
166/0	655/0	Kid	1/8	6.2	5.7	655	647/4	649/4	795	+ 1/8
167/0	661/0	Kid	1/8	6.2	5.7	661	653/4	655/4	803	+ 1/8
168/0	667/0	Kid	1/8	6.2	5.7	667	659/4	661/4	811	+ 1/8
169/0	673/0	Kid	1/8	6.2	5.7	673	665/4	667/4	819	+ 1/8
170/0	679/0	Kid	1/8	6.2	5.7	679	671/4	673/4	827	+ 1/8
171/0	685/0	Kid	1/8	6.2	5.7	685	677/4	679/4	835	+ 1/8
172/0	691/0	Kid	1/8	6.2	5.7	691	683/4	685/4	843	

Stock market pyrotechnics are difficult to cinemaize, many investors appreciate the over-the-counter market as appreciatively as it is a string quartet booked to play into a Greenwich Village dinner. It's a matter of attitude, attitudes nurtured by myth. One evening, decades ago, the Prince of Wales (later Edward VII) went to dinner at London's Savoy Hotel, where his attention focused on an intriguing item on the menu: "Caïssen de Nymphes à l'Aurort", translated as "Nymphs' thighs at Dawn." The dish was served: the Prince nibbled reflectively, then demanded to know what it was eating. "Finger legs!" replied the Chef. The Prince's reaction was negative, he regarded the lowly frog as too vulgar to require gastronomic abstinence, and so the ingenious chef who prepared the mythological disguise waited for the Royal verdict. "Delicious," pronounced the Prince; and another unpalatable prejudice faded. From that night onwards, Nymph thighs were ordered by the best people; and the chef, because renowned. He was, of course, Georges Escoffier. Our editors are gourmet gourmets, passing along many morsels, attesting that the greatest gourmet grins in the stock market have been realized by companies that trekked as far as the lowly frog. How, then, did we come to the fact that **CONTROL DATA** was public, over-the-counter, at \$1 1/8 share, or that **DENISON MINING**, catapulted from pennies to over \$100, adjusted for splits? Our current letter highlights two natural resource equities, both low priced and undated, that could mature into prominence, additionally, we review possible take-over candidates on the N.Y.S.E., recalling how our researches produced the initial situation of **MARATHON OIL** and other social situations now producing returns to investors. For your complimentary copy of this report, please write: Joe.

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PCT 6

Bid: U.S. \$2.25. Asked: U.S. \$2.50.  
As of date: February 24, 1982.  
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Members Amsterdam Stock Exchange  
Kerkstraat 363 - 1017 HW Amsterdam - The Netherlands  
Tel. 243005 - Telex 16396

[illegible]

## Building the business on a stronger capital base

In his statement to shareholders the Chairman, Mr. Nigel Robson, says: "A major redeployment of capital resources is in hand through the planned sale of the two Hong Kong subsidiaries, Grindlays Dao Heng Bank and Grindlays Finance; this means added strength and the opportunity of making an improved allocation of the group's capital resources and a more even expansion of business in the United Kingdom and elsewhere in the world".

In the Pacific Basin the Grindlays Bank Group will continue to have a strong presence through its merchant banking subsidiary, Grindlays Asia Limited, in Hong Kong and its branches and offices in Australia, Japan, Korea, Singapore, Taiwan, Indonesia and Malaysia.

In February 1982 the International Merchant Banking Division based in London was established to develop and provide a common focus for the Group's specialist and cross-border services.

**Group profits for 1981 before tax were £34.5 million (1980 £33.7 million).**

Profits attributable to shareholders were £10.3 million (1980 £14.3 million).

Profits retained for the year 1981 were £7.6 million (1980 £11.5).

<b>Grindlays Bank Group</b>			
	<b>1981 audited £m</b>	<b>1981* adjusted £m</b>	<b>1980 £m</b>
<b>Assets</b>	<b>4464</b>	<b>4410</b>	<b>3827</b>
<b>Liabilities</b>	<b>4270</b>	<b>4180</b>	<b>3648</b>
<b>Total capital resources</b>	<b>194</b>	<b>230</b>	<b>179</b>
<b>of which share capital &amp; reserves</b>	<b>132</b>	<b>168</b>	<b>126</b>

\*To reflect the proposed sale of Grindlays Dao Heng Bank and Grindlays Finance.



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Branches or offices in: Australia, Austria, Bahamas, Bahrain, Bangladesh, Brazil, Canada, Colombia, Cyprus, England, France, Germany, Ghana, Greece, Hong Kong, India, Indonesia, Iran, Japan, Jersey, Jordan, Kenya, Republic of Korea, Malaysia, Mexico, Monaco, Oman, Pakistan, Qatar, Scotland, Singapore, Spain, Sri Lanka, Switzerland, Taiwan, Uganda, United Arab Emirates, United States of America, Zaire, Zambia, Zimbabwe.

(Continued on Page 16)





## SEC to Test a Change In Underwriting Rules

By Kenneth B. Noble  
New York Times Service

WASHINGTON — The Securities and Exchange Commission has approved a temporary change in underwriting procedures that some investment bankers have said will undermine their role in bringing new stocks and bonds to the market.

The measure was part of a package of rules approved Wednesday that will speed and simplify the filing of information by major companies when they sell securities in the open market.

The change in underwriting procedures was adopted for nine months. It is expected to become effective within a few days, but the commission said eligible companies could change their practices immediately.

**Final Action Deferred**

In adopting the rule temporarily, the commission postponed final action pending the outcome of hearings, which are to take place in about four months. Within nine months the commission is to decide whether to continue the measure, modify it or rescind it.

The rule would allow a corporation to file a single registration statement with the SEC that would be good for two years of issuing bonds, stocks and other securities, thus permitting a company to go quickly and directly to the market with its issues.

Underwriters, led by Morgan Stanley, one of Wall Street's top investment firms, had urged the SEC to postpone action on the rule. The securities industry has argued that without the waiting period now required to file information with the SEC for each issue, frequent fund-raising, such as American Telephone & Telegraph, could offer its issues directly to major investors, without using investment houses to put together syndicates.

Some underwriters also fear that the rule could fragment the underwriting market because companies might be encouraged to issue blocks of stock in smaller sizes through several securities firms. Traditionally, most large offerings have been handled in a syndicate led by one underwriter.

Edward L. O'Brien, president of the Securities Industry Association, a trade group, said Wednesday, "We were disappointed it didn't go precisely the way we wanted it at all. We would have preferred that there would have been hearings before it was implemented even in the form that it was taken today, but it's better than it might have been."

**Backing From Issuers**

He said that the industry's reaction to the rule was "an anomaly, because we're very much in favor of the integrated disclosure package."

Benjamin W. Edwards, president of A.G. Edwards & Sons, a large regional brokerage house

**U.S. to Meet Swiss On Illegal Dealing**

BERN — Switzerland and the United States said Thursday they will have talks next week on preventing the use of Swiss banking secrecy as a cover for illegal trading on American stock markets.

Both sides expressed confidence that ways can be found to block U.S. investors with insider knowledge from trading shares through Swiss banks.

Insider trading, illegal in the United States, is not barred in Switzerland, although a law is being prepared. The Swiss government said it is ready to discuss stopgap measures pending completion of new legislation.

based in St. Louis, said: "It looks to me that the new rule would favor firms such as Merrill, Hutton and Bache over Morgan and First Boston, because they can take blocks of stocks and issue them through their own systems."

Many large corporations support the rule as a means to gain flexibility in the capital markets. Companies such as Exxon, United States Steel and Du Pont have endorsed the proposal.

Among major securities firms, Dean Witter Reynolds, a unit of Sears, Roebuck & Co., has endorsed the proposal, arguing that it "would facilitate the development of innovative capital-raising techniques which would reduce burdens and costs to issuers."

Wednesday's decision on the controversial rule is limited to major corporations — generally those that have at least \$150 million in stock outstanding and are widely followed by analysts — or those with trading volume exceeding more than three million shares annually. The SEC staff estimated that the rule would affect about 30 percent of all New York, American or over-the-counter issues.

## New Plans for U.S. Thrifts Are Outlined by Regulators

WASHINGTON — The Federal Reserve Board proposed Thursday to allow federally chartered savings and loan associations to compete more directly with banks and other financial institutions.

Under proposals announced by the board for public comment during the next 60 days, the 2,600 federal S&Ls in the United States could operate money market funds and engage in a wide variety of commercial lending, real estate brokerage and other business services.

The board's chairman, Richard T. Pratt, told reporters the proposal is designed to make S&Ls "viable" in the long run.

The proposals would broaden powers of service firms set up by federal S&Ls, allowing them to:

- Operate money market mutual funds and engage in certain securities-brokerage activities. Money market funds, now operated by brokerage houses and other financial institutions, pay depositors interest rates that fluctuate with those in financial markets.

- Underwrite casualty, property and life insurance and offer private mortgage insurance. S&Ls now are allowed only to act as agents for certain kinds of insurance.

- Act as real estate brokers to the public. Currently, S&Ls are allowed to engage in real estate brokerage only for themselves or their parent companies.

- Offer commercial loans and letters of credit and engage in leasing. S&Ls at present are restricted largely to lending for home mortgages.

- Engage in other activities including acting as futures-commission merchants, manufacturing mobile homes, collecting debts, offering coin and currency services, preparing tax returns for businesses, investing in certified development corporations and trading in Government National Mortgage Association options.

"These proposals reflect the feeling of the Federal Reserve Board that the allowable activities of institutions are not sufficient to maintain a good, competitive, viable framework in the long run," Mr. Pratt said at a news conference.

Though Congress is considering similar expanded powers for S&Ls,

## COMPANY REPORTS

Revenue, Profits in Millions. In local currencies, unless otherwise indicated.

**Belgium**

Metallurgische Hoboken-Overpelt

Year	1981	1980
Revenue	80,228	94,022
Profits	39,44	76,49

**France**

Societe Generale de Banque

Year	1981	1980
Revenue	1,124	1,002
Profits	1,960	1,970

**Britain**

Imperial Chemical Industries

Year	1981	1980
Revenue	6,580	5,710
Profits	2,240	1,610

**Sweden**

Astra

Year	1981	1980
Revenue	2,250	1,970
Profits	240	181.0

**United States**

Chrysler

Year	1981	1980
Revenue	2,740	2,740
Profits	155	155

**Japan**

Bridgestone Tire

Year	1981	1980
Revenue	514,040	517,440
Profits	141,800	24,490

**Sumitomo Chemical**

Year	1981	1980
Revenue	640,730	673,370
Profits	2,340	9,580

**SKF Group**

Year	1981	1980
Revenue	13,570	12,510
Profits	850.8	753.0

**3rd Quor.**

Plessey

Year	1981	1980
Revenue	224.6	204.2
Profits	17.36	15.30

**Per Share**

Plessey

Year	1981	1980
Revenue	0.077	0.069

**Rubber Pact Delayed**

The Associated Press

KUALA LUMPUR, Malaysia — The International Natural Rubber Organization will meet in Kuala Lumpur March 5 and 6 to discuss the EEC's request for an extension of the Feb. 28 deadline for ratification of the International Natural Rubber Agreement, the organization said Thursday.

Mr. Pratt said the bank board has power to put the proposals into effect on its own after the comment period.

Mr. Pratt had no comment on whether S&Ls also need more immediate government assistance to get out of their current bind. One trade group, the National Savings and Loan League, proposed this week that the government provide short-term assistance totaling as much as \$15 billion, depending on the level of interest rates.

Passed government policies have channeled S&Ls into concentrating their lending on long-term, fixed-rate mortgages.

In recent months there have been offers to depositors higher rates than those charged on long-term mortgages.

**U.S. Trade Begins In Futures Based On a Stock Index**

WASHINGTON POST SERVICE

KANSAS CITY, Mo. — The Kansas City Board of Trade has opened trading in stock-index futures contracts, the first of their kind in the United States.

More than 2,000 of the futures changed hands Wednesday, the first day of trading. The exchange is the world's biggest market for hard, red winter wheat, but the volume in stock-index futures was more than twice the usual wheat business.

Joseph Granville, the stock analyst, predicted that investors would quickly catch on to stock-index futures. "Kansas City will draw money out of Wall Street to play this game," he said.

The contracts for future delivery of a hypothetical portfolio based on the Value Line index of 1,700 common stocks allow traders to speculate on the overall performance of the market without buying shares.

The Commodity Futures Trading Commission has received more than a dozen other proposals from futures exchanges that hope to trade stock-index contracts, but some congressmen are pushing for restraint. Rep. Benjamin S. Rosen, a New York Democrat, has denounced the Kansas City contract as "premature and irresponsible," contending that the commission does not have the strength to monitor the market.

**MEASUREMENTS**

Feb. 25 1400 hrs. U. S. 804/835

Feb. 25 821/833 805/835

April 29 821/835 805/836

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## Mexico Extends Price Control List Following Devaluation

By Juan M. Vasquez

Los Angeles Times Service

MEXICO CITY — Mexico has added 47 items to its list of price-controlled products and threatened violators with stiff fines and jail sentences.

The measure was the government's first response to inflationary pressures unleashed by last week's sudden devaluation of the Mexican peso, and brought the price control list to 147 products.

The additions range from butter and chocolate to automobiles and television sets.

The Commerce Ministry said Thursday officials shut down a dozen companies including a Sears store and two other big department stores, for raising prices in violation of price controls. UPI reported.

"Only necessities would use devaluation as a pretext to raise prices," said Secretary of Commerce Jorge de la Vega Dominguez in announcing the new controls. "These are the thieves we have set our sights upon."

Meanwhile, informed banking

sources said that the Bank of Mexico never withdrew entirely from supporting the peso in the foreign exchange market as the Feb. 17 announcement of the devaluation implied.

The central bank continued to buy pesos in order to hold up its value against the dollar and other foreign currencies, they said.

Before devaluation, 26 pesos could be bought for a dollar, and afterward, 38 pesos, about a 30 percent drop in value.

Mr. de la Vega emphasized Wednesday that the widened price controls were temporary and not intended to freeze prices.

All controlled items that depend on imported components, he said, will be allowed to increase in price in relation to the cost of the imports. Automobiles, TV sets, motorcycles, soft drinks and insecticides will be particularly affected.

Mr. de la Vega said the price controls will be in effect for three months, with a 10 percent limit on price increases for controlled products during that period.

The only products whose prices

will be frozen at the current level, he said, are bread, tortillas, sugar, cooking oil and eggs. There will be a slight price reduction on beans.

According to Efraim Franco, undersecretary of commerce, the standard for determining the controlled price is the item's "price value" in the marketplace as of Feb. 1.

In addition to imposing strict controls on 47 new items, the government said it will "register" the existing prices of 45 other products, including beer and clothing.

If these items increase in price by 50 percent or more, Mr. de la Vega warned, the vendor could be subject to penalties under a law forbidding "illegal enrichment."

He said violators would be fined

100,000 pesos for a first offense and three times as much for a repeated violation, and could be held under "administrative arrest" for 36 hours.

"It appears they are trying to use the announcement of price controls and the suggestion of stiff measures against abusers as an instrument of price restraint," a U.S. businessman, whose company deals in hospital supplies, said.

Most foreign firms had expected a devaluation and were not caught holding large amounts of pesos, he said.

Mexican firms, said one banker, had similarly expected the decision, although not quite so soon, and had built up substantial dollar reserves.

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	1981 U.S. \$000	1980 U.S. \$000
<b>Assets</b>		
Cash and Banks	1,151,778	984,824
Investments	108,136	77,738
Loans & Advances	1,620,572	1,072,873
Accrued Interest Receivable & Other Assets	79,023	53,458
Fixed Assets	34,743	29,314
<b>Total Assets before Contingent Accounts</b>	<b>2,994,252</b>	<b>2,218,207</b>
<b>Liabilities</b>		
Customers' Current & Deposit Accounts	625,602	640,771
Due to Banks	2,000,863	1,295,923
Loan Capital		5,000
Proposed Dividends	14,000	12,000
Accrued Interest, Provisions & Other Liabilities	138,116	92,440
Minority Interests	32,161	9,951
<b>Total Liabilities</b>	<b>2,810,742</b>	<b>2,056,085</b>
<b>Total Shareholders' Equity</b>	<b>183,510</b>	<b>162,122</b>
<b>Total Liabilities &amp; Shareholders' Equity before Contingent Accounts</b>	<b>2,994,252</b>	<b>2,218,207</b>
<b>Group's Liabilities for Letters of Credit and Letters of Guarantee</b>	<b>686,271</b>	<b>564,582</b>
	<b>3,680,523</b>	<b>2,782,789</b>

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February 17, 1982









